The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

The Society of Incorporated Accountants and Auditors

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Contents

	PAGE
Professional Notes	269
The Society's 44th Annual Meeting (Article)	272
Rating Relief: Some Hints (Article)	273
Invalid Debentures (Article)	275
Designation of Incorporated Accountant: Legal Proceedings in South Africa	276
Incorporated Accountants' Golfing Society	277
Election Results	277
Changes and Removals	277
Incorporated Accountants' Hall Debenture Issue	277
The Society of Incorporated Accountants and Auditors:—	
Annual Meeting	286
Annual Report and Accounts	292
Council Meeting	285
South African (Northern) Division	278
South African (Western) Division	280
South African (Eastern) Division	281
Correspondence: Group Insurance	281
Friendly Societies and their Accounts	282
Insurance by Group: Life, Disablement, Pensions: Lecture by Mr. H. E. Raynes, F.I.A.	296
District Societies of Incorporated Accountants	301
Income Tax on Research and Welfare Expenditure	302
Scottish Notes	304

Professional Notes.

AT the meeting of the Council of the Society of Incorporated Accountants and Auditors immediately following the 44th Annual Meeting of members, Mr. Thomas Keens, F.S.A.A., was unanimously requested to continue in office until the meeting of the Council in November next. The object of this invitation is to enable Mr. Keens to proceed to the International Congress of Accountants in the United States as President of the Society, and we believe the Council have rightly interpreted the feelings of all the members in the matter. Owing to the vacancy in the office of Vice-President through the resignation of Mr. Henry Morgan, which was sympathetically referred to by more than one speaker at the Annual Meeting, Mr. Arthur Edwin Woodington, who was President of the Society from 1916-1919, was requested to discharge the duties of Vice-President for the same period, and during Mr. Keens' absence from England Mr. Woodington will direct the affairs of the Society, of which he is a very popular member.

The following Incorporated Accountants were candidates for Parliamentary honours at the General Election on May 30th:—Mr. Thomas Keens, F.S.A.A., President of the Society (Liberal; Bucks, Aylesbury); Sir Charles Henry Wilson, J.P., LL.D., F.S.A.A. (Conservative; Leeds Central); Mr. Adam Maitland, A.S.A.A. (Conservative; Kent, Faversham); Mr. Leonard Parish, F.S.A.A. (Liberal; Wakefield); and Mr. T. Arnold Evans, F.C.A., F.S.A.A. (Liberal; East Ham North). We hope to be able to publish the results in this issue.

At a meeting of the Tunbridge Wells Town Council held recently Mr. John Walter Forster, F.S.A.A., was unanimously admitted an Honorary Freeman of the Borough. The resolution moved by the Mayor was in the following terms: "That the Council of the Borough of Royal Tunbridge Wells, desiring to place upon record its appreciation and acknowledgment of the eminent services which have been rendered to the borough by John Walter Forster, Esq., F.S.A.A., as Borough Accountant since the 1st May, 1901, doth hereby, in pursuance of the Honorary Freedom of Boroughs Act, 1885, admit the said John Walter Forster to be an Honorary Freeman of the Borough of Royal Tunbridge Wells." Mr. Forster has had a long and interesting career, and has served the Borough of Tunbridge Wells for no less than 28 years. From our knowledge of such matters we should say that the conferment of the Honorary Freedom of a Borough upon the Chief Financial Officer is a unique honour.

In addition to the report from South Africa of the recent proceedings in the Supreme Court for the protection of the designation "Incorporated Accountant" this issue contains accounts of the meetings of the respective Divisions of members of the Society in the Cape

Province, the Transvaal and Natal. The views expressed at these meetings are published on the authority either of the respective Chairmen or Committees, and where any divergence of opinion would appear to exist the matter is dealt with by an Advisory Committee in South Africa, who are appointed for the purpose of making recommendations to the Council in London. Incorporated Accountants in South Africa have worked most harmoniously together in the interests of their common professional position, and their efforts over a long period of time have strengthened the respect in which they are held in the Union and throughout the British Dominions.

The City Editor of *The Times* draws attention to a matter which has been much in evidence lately in the flotation of new companies, namely, the absence of reasonable proportion in the amounts of ordinary shares, preference shares and debentures. It frequently happens that the ordinary shares constitute a very small proportion of the whole, and sometimes the debentures exceed in amount the preference and ordinary shares combined. In such cases the security of the debenture holders is very poor, and the preference shares are little more than ordinary shares with a limited dividend.

The preference shareholders are still further prejudiced in many cases by the fact that the ordinary shares carry control as regards voting power. This is effected by issuing 1s. shares, so that every 1s. of ordinary capital carries the same voting rights as £1 of preference capital. The result is that the preference shareholder provides the bulk of the money, which he stands to lose if the venture fails, while the ordinary shareholder at small risk takes most of the profits if its succeeds.

The Bill to consolidate the law relating to Joint Stock Companies, which has been before Parliament for some time, received the Royal Assent on May 10th, and an Order in Council will be made fixing the date when it will come into operation. Although the new Act is mainly a consolidating one, various sections have had to be re-written and some slight amendments introduced. These amendments are not intended to alter the existing law, but only to make it clearer. The consolidation embodies the provisions of the Companies Act, 1928, which, with the exception of one or two sections, has not yet come into force.

Upon the passing of this Consolidation Act various criticisms have appeared in the public Press mainly in reference to the responsibility of directors and the publication of the amounts paid as directors' fees. These criticisms would have been more useful had they been made when the new legislation was under discussion in Parliament. One of the main causes of complaint appears to be that directors are required by sect. 122 of the new Act to see that the company complies with the requirements of the section in regard to the keeping of books of account to record the business transactions. It does not seem to us, however, that any serious responsibility is involved, because to incur liability there must be wilful default, and all that is asked for is, in effect, the keeping of a cash book, sales and purchases books, and a ledger or ledgers to record the assets and liabilities of the company. Every responsible company does, in fact, keep these books as a matter of course, and the object of the section clearly is to prevent fraudulent concealment of business transactions.

The Export Credits Guarantee scheme of the Government has now been in operation for nearly three years, and a statement which has just been issued, giving the amount of the guarantees from quarter to quarter during the period, indicates that the value of the scheme is becoming more generally recognised. The face values of the policies issued each quarter by the Government during the time the scheme has been in operation have been as follows:—

Quarter ended.	£
September 30th, 1926 ..	52,144
December 30th, 1926 ..	117,766
March 31st, 1927	193,250
June 30th, 1927	213,750
September 30th, 1927 ..	742,865
December 31st, 1927 ..	718,607
March 31st, 1928	740,813
June 30th, 1928	808,619
September 30th, 1928 ..	676,404
December 31st, 1928 ..	1,026,479
March 31st, 1929	1,716,835
Total to March 31st, 1929 ..	£7,007,532

If the bills of exchange which have been guaranteed are dishonoured, the Government Department pays immediately on default the amount of the guarantee, which may be as much as 75 per cent. of the face value of the bill.

As the result of the provisions of sect. 39 of the Finance Act, 1927, which stipulates that the deduction of income tax from dividends must be at the rate in force on the due dates instead of as hitherto at the rates ruling during the

period when the profits were being earned, some companies are taking steps to alter their dividend dates with the object apparently of paying the dividend during the same Inland Revenue year as that in which the profits accrued. So long as the rate of tax does not vary the date of payment is of no importance, but should the income tax be reduced then the deduction from the dividends might be at a lower rate than that which was in force when the profits were being earned.

At the annual meeting of the National Association of Trade Protection Societies a resolution was proposed calling the attention of the Chancellor of the Exchequer to the vast amount of trade done by societies registered under the Industrial and Provident Societies Acts with non-members, and the following resolution was passed :—

> "We request that instructions be issued that their accounts and books should show all purchases, sales and transfers of goods with non-members, and that a return be made by them for a suitable assessment for income tax on the profits of such trading."

The mover of the resolution said that the inception of the relief from income tax was meant for the smaller co-operative societies and the poorer classes of people who dealt with them, but that matters had so developed that the wholesale co-operative societies were entering into general competition with the merchants and manufacturers of the country. The Prime Minister, he said, had stated that an investigation was being made as to the amount of tax now being paid and the amount that would be paid if all the societies were taxed in the same way as ordinary traders. Although they had no knowledge of the precise form of the investigation, it did show that at last the subject had penetrated the mind of the Prime Minister.

An interesting point in regard to the assessment of a widow in respect of a continuing income which was assessable on her husband during his lifetime was decided the other day by the Court of Appeal in the case of *Leitch* v. *Emmott*. It should be noted, however, that the case related to the Income Tax year 1921-22. Without going into details, the substance of the decision is that for assessment purposes the income of a married woman, although assessable upon her husband during marriage, is legally her own income within the meaning of Rule 16 of the General Rules, and therefore upon the husband's death the widow is deemed to have a continuing source of income. The decision of Mr. Justice Rowlatt is thus reversed, and his decision in *Walker* v. *Howard*, which raised a somewhat similar point, is disapproved. The consequence of this new judgment, however, is not important in view of the provisions of sect. 17 of the Finance Act, 1922, and sect. 30 of the Finance Act, 1926, which would have prevented the case in question arising at the present time.

The chief interest of the case of *Wall* v. *Cooper* (Inspector of Taxes) lies in the fact that the Commissioners, in hearing the appeal, refused to accept the production of books by the appellant in support of the accounts submitted by him. The Inspector of Taxes drew attention to important discrepancies and inconsistencies in the accounts which had been submitted from time to time, and an order was made for the appellant to render certified accounts for four years. Upon his failing to do this the assessments were confirmed. When the matter came before the Court, Mr. Justice Rowlatt said he had no jurisdiction to interfere with the conclusions of the Commissioners in this matter. It would be interesting to know under what section of the Income Tax Acts the Commissioners are empowered to refuse production of books and demand certified accounts.

From the statistical particulars issued by the Chief Registrar of Friendly Societies, it appears that in the year 1926 there were 3,451 Societies of all classes with total funds amounting to £48,302,000, and in addition there were Orders and Branches numbering 18,868, with total funds of £43,031,000. In 1927 the number of Friendly Societies was 3,415, with total funds of £51,480,000, but for that year no figures were prepared in relation to Orders and Branches. The main Societies included in these figures are Sickness and Benefit Societies, Deposit Societies, and Widows' and Orphans' Societies.

The Registrar expresses his views very emphatically with regard to the question of audit and the appointment of unqualified auditors. Speaking of defalcations, he says : "It was evident in the majority of cases that the defalcations were facilitated by the employment of inefficient auditors, and by the failure of committees to carry out the duties of supervision and control which their acceptance of office entailed." "Such negligence," he continues, "not only jeopardises the successful prosecution of the defaulters, but is apt also to prevent recovery under any guarantee policy which may have been taken out."

The Society's 44th Annual Meeting.

IT was somewhat unfortunate that the proceedings of the 44th Annual Meeting of the Society of Incorporated Accountants and Auditors were overshadowed by the dissolution of Parliament and the absorption of public interest by the constituencies. The President of the Society, Mr. Thomas Keens, who is endeavouring to regain a seat in the House which he lost at the last election, was, as he himself admitted, influenced in the limitation of the topics which he discussed owing to his desire to avoid any question which might be the subject of political controversy. Notwithstanding this limitation, the President was able to lay before the members a record of accomplishment and other evidence of a sustained and virile life in the upward progress of the Society, and he claimed on behalf of the Council that the past year had been particularly fruitful in many directions.

In his opening remarks he congratulated the members upon holding their General Meeting for the first time in their own home, and he stated that it was a source both of business and sentimental satisfaction that they occupied Incorporated Accountants' Hall free from any obligations outside the Society's own membership. After reviewing the advantages of the Society's building, Mr. Keens said it was a delight to them that the imagination and endeavour of the whole Society had enabled them by the preservation of that Hall to contribute something to the amenities and beauty of London.

In dealing with important matters of policy, Mr. Keens pointed out that from its earliest days the professional policy of the Society had been to secure statutory registration for the profession of accountancy and every favourable opportunity had been taken to give effect to that policy. We find that on the occasion of the twenty-first anniversary of the foundation and incorporation of the Society in October, 1906, a resolution was passed at a conference of Incorporated Accountants setting forth that the regulation and control of public accountants by statute was an urgent need in the interests alike of the profession and the public. From that standpoint the Council of the Society has never departed. There has, however, been wanting during recent years an opportunity of giving practical effect to the declared wishes of the members. No useful purpose can be served by ignoring hard facts, and until the Chartered Accountants of England and Wales, Scotland and Northern Ireland are brought to a frame of mind which will induce them wholeheartedly to support a measure of registration there is, in our opinion, little chance of Parliament taking the matter in hand, although the statement of Sir Thomas Robinson on the Chester Corporation Bill must be regarded as a serious pronouncement.

As Mr. Keens pointed out in his speech, in the year 1911 a Bill agreed between the Chartered Accountants and Incorporated Accountants passed the House of Lords and only by an accident of procedure in the House of Commons it failed to reach the Committee stage in the lower House. But times have altered, and each successive Government of more recent years has had the utmost difficulty in carrying through Cabinet measures which are deemed to be of the first importance by the party in power. The profession of accountancy, important though it has become in the eyes of the public, cannot claim any monopoly of the attention of legislators in competition with matters of urgent importance affecting the nation as a whole. No one who knows Mr. Keens will doubt the sincerity of his advocacy when he stated that he did not approach the subject from the narrow standpoint of pure professional interest. Travelling round the country he found that side by side with the multiplicity of accountancy bodies was the unwholesome temptation to all sorts of persons to commence practice as accountants, resorting to methods flagrantly unprofessional, and he inquired once again whether this state of affairs was in the public interest.

On the subject of the designation denoting membership of the Society, Mr. Keens had some interesting information to give. An injunction was recently granted in the High Court of Justice Chancery Division perpetually restraining a person whose name had been removed from the roll of members some years ago from using the title or designation "Incorporated Accountant" or any designation representing or leading to the belief that the defendant was a member of the Society of Incorporated Accountants and Auditors.

In South Africa some members of a new body called the Institute of Accountants of South Africa, Limited, following the bad example set them in England some years ago, claimed the right to the designation "Incorporated Accountant (South Africa)," and Mr. Keens was able to announce that Mr. Justice Sutton, sitting in the Supreme Court had granted an injunction

restraining one Powell (who, *inter alia*, stated that he was a Certificated Public Accountant of England and a member of an accountant's society in England) from holding himself out or describing himself as being an Incorporated Accountant (South Africa) or Incorporated Accountant (S.A.). This decision, which has been obtained by the South African (Western) Committee of the Society, will be cordially welcomed in South Africa as well as by the Society as a whole. The application to the Courts was supported not only by the Committee referred to, but also in their individual capacities by Sir Harry Hands, K.B.E., Mr. A. N. Foot and Mr. P. L. Close, of Cape Town; by Mr. Philip Salisbury, of Kimberley, and Mr. A. S. Leith, of Bloemfontein, as well as by Mr. Cyril D. Gibson, the Honorary Secretary of the Committee, whose father, the late Mr. Harry Gibson, was one of the original Incorporated Accountants in South Africa. It is also satisfactory to observe from the reports that the application to the Court was further endorsed by numerous members of the profession, both Chartered and Incorporated, and by some of the most eminent members of the trading community in South Africa.

The strength of the Society lies in the unanimity with which Incorporated Accountants throughout the world support the policy of the executive in London. There is a wide recognition of the fact stated by the President, Mr. Keens, in his Address that Incorporated Accountants have not followed any narrow or selfish policy, but have acted with due regard to public interests.

Rating Relief—Some Hints.

[CONTRIBUTED.]

Rating authorities of different districts are now placing on deposit for public inspection the Special Valuation Lists, prepared under the Rating and Valuation (Apportionment) Act, 1928, relating to industrial premises, and everyone interested should inspect these to see if the entries are in consonance with the claim made.

Those who are not satisfied with conclusions entered on list, and those who have omitted to claim for inclusion, must proceed by way of objection on the form provided by Assessment Committee. For most of those who have made a claim there should be no difficulty, the chief point to remember being to watch for the apportionment of values as to amounts attributable to industrial and to non-industrial parts. The latter will embrace, generally speaking, those parts not subject to control under the Factory Acts, but the Ministry of Health also instructs that non-industrial parts arise through the proviso to the Factory Act, 1901, sect. 149, which reads as follows:—

(*a*) Any place within the close, curtilage, or precincts which is solely used for some purpose other than the manufacturing process or handicraft carried on in the factory or workshop; and

(*b*) Any room solely used for the purpose of sleeping therein is deemed not to form part of the factory or workshop.

The Ministry of Health further instructs that offices used by the general administrative, clerical or accounting staff, or research laboratories, drawing or designing rooms, caretaker's residence, showrooms, sales rooms, &c., do not normally form part of the factory, nor does a recreation ground. On the other hand, courtyards, staircases, passages, hoists, lavatories, cloak rooms, rest rooms, a surgery, and any other accommodation provided in order to comply with the requirements of the Factory and Workshops Acts, warehouses or packing sheds, and tramroads, sidings or dock basins inside the curtilage are part of the factory.

The Apportionment Act also mentions specifically that any place within the boundaries of the factory used for the housing and maintenance of road vehicles, or as stables, although part of premises, shall not be deemed to be part of the factory. But if the premises scheduled as for "other purposes"—*i.e.*, non-industrial—do not in annual value exceed 10 per cent. of the industrial portions, then the premises will be considered wholly industrial and be subject to the 75 per cent. rebate for the whole net annual value. If the 10 per cent. allowed is exceeded, then only that amount in excess of the 10 per cent. will not carry the 75 per cent. rebate. Also if the premises do not exceed £50 in "net annual value" the premises will be entered as wholly industrial, and so carry the rebate. It should be remembered that if the entries on the list are different from those on the claim form, a personal notification as to the difference should be received by the claimant within seven days of the deposit of the lists. If the claimant is aggrieved at anything in the list an objection should be entered immediately, as it is always better to object while the lists are merely draft and before final approval, than after that date, especially as this is the first valuation to be taken as to industrial hereditaments under the Relief of Rating proposals. But it must be distinctly understood that under sect. 37 of the Rating and Valuation Act, 1925, an objection can be entered after final approval, and even after receipt of demand notes for rates, which means during the currency of any Valuation List. Another thing to note in inspecting lists is to see if the Revenue Officer and Rating Authority are in agreement as to conclusions entered, as if in disagreement the two conclusions will appear, and it will be necessary for the Assessment Committee to sit and decide on the figures or whether the hereditament is to be accepted as "industrial." In that case all the three parties will

receive notification as to date of hearing (fourteen days notice) and will be given the opportunity of calling and examining witnesses.

There have been various instructions given to local authorities, particularly as to the provisos (*a*) to (*f*) to the main definition of factory and workshop. The Apportionment Act reads as follows as to what constitutes an industrial hereditament under the Act:—"Industrial hereditament means a hereditament occupied and used as a mine or mineral railway or as a factory or workshop." But the expression "industrial hereditament" does not include a hereditament occupied and used as a factory or workshop if it is primarily occupied and used for the following purposes:—

(*a*) The purposes of a dwelling house;
(*b*) The purposes of a retail shop;
(*c*) The purposes of distributive wholesale business;
(*d*) Purposes of storage;
(*e*) The purposes of a public supply undertaking;
(*f*) Any other purposes whether or not similar to any of the foregoing which are not those of a factory or workshop.

The expression "retail shop" includes any premises of a similar character where "retail business," including repair work, is carried on. With reference to the latter, however, it must not be inferred that this means that "repairing workshops" will be excluded. If small repairs are executed in connection with a retail shop, where the retail business is greater, then as the premises are primarily used as a retail shop, the hereditament will not be included in the lists, but if the repairing business is in premises of more importance than the retail portion, then the premises should be included.

Proviso (*a*), which applies to dwelling houses, should be easy of solution. A suggestion is made that if one or two rooms, or a shed, or something similar at the back of the premises, is used as a workshop, then assuredly the premises are primarily used as a dwelling house, and exclusion would follow. The instruction *re* proviso (*c*) is rather vague. It is to the effect that if the premises are used for wholesale distributive business between manufacturer or importer and retailer, with no manufacturing process, then apparently the premises would be excluded.

The instruction as to proviso (*d*) is more explicit, as exclusion would only follow if premises are primarily used for storage, *i.e.*, for storage as an end to itself and not ancillory to manufacture on the premises, as there is always considerable space required for storage of raw materials before, and of the finished article after, manufacture in most businesses.

It cannot be stressed too much, however, that the sole responsible body for acceptance or rejection of premises at the outset is the Rating Authority, who have wide discretionary power, and the interpretation which different authorities put upon the word "primarily" will be decisive. The Ministry of Health instructs that it is impossible for any general rule to be laid down, and each particular hereditament must be judged solely on its own merits.

Although the Ministry does state that, generally speaking, no premises which have no parts registered under the Factory Acts will be eligible for inclusion, it does not necessarily follow that this will be so any more than that premises which are so registered will be included, because provisos (*a*) to (*f*) may intervene. Another instruction is that premises not normally regarded as manufacturing premises and admittedly used for packing and distribution may, if the articles distributed are subjected on the premises to some process which is not merely ancillory to distribution, be held to be primarily used for that purpose, and not primarily used for distributive business, and so be qualified for inclusion as an industrial hereditament.

Anyone who has the slightest doubt about his premises should secure a pronouncement by proceeding by way of objection, if no claim has been entered.

The general definition of "Factory" and "Workshop" are contained in sect. 149 of the Factory Act, 1901. Broadly speaking, a factory means any premises where any manual labour is exercised by way of trade, or incidental . . . to making, altering, repairing, ornamenting, finishing of an article, or the adapting for sale of any article where steam, water or other mechanical power is used. The expression "workshop" in the same way means any premises, room or place, not being a factory, where any manual labour is exercised by way of trade, or incidental . . . to making, altering, repairing, ornamenting, finishing of any article, or the adapting for sale of any article, and to or over which premises, room or place the employer of the persons working therein has right of access or control.

There is no doubt, also, that the intention of the sponsors of the Act is that a wider definition shall obtain than in the Factory Acts. By sect. 69 of the Local Government Act, sect. 3 (2) of the Apportionment Act is made to read as follows:—

> "For the purposes of this Act, a hereditament shall not be deemed not to be occupied and used as a factory or workshop by reason only of the fact that the owner or occupier of the hereditament is the only person working therein or that no other person working therein is in his employment."

The object, of course, is to bring in the one man business worker, if other conditions make his premises eligible for inclusion.

Mr. Llewellen J. Gill, A.S.A.A., the Deputy Borough Accountant of the Metropolitan Borough of Deptford, has been promoted to the position of Borough Treasurer and Accountant upon the resignation of his senior, Mr. T. E. Charles.

Invalid Debentures.

DEBENTURES are so commonly accompanied by a charge that it is easy to forget that the two things, debenture and charge, are distinct. But the importance of bearing the distinction in mind is well illustrated by Mr. Justice Eve's recent decision in *In re Parkes' Garage* (1929, 1 Ch., 139). This case is concerned with the proper interpretation of sect. 212 of the Companies (Consolidation) Act, 1908, a provision that is very much to the fore at present, as it has also been the subject of comment in *In re Stanton* (*F. & E.*), *Limited* (1929, 1 Ch., 180).

Sect. 212 reads as follows: "Where a company is being wound up, a floating charge on the undertaking or property of the company created within three months of the commencement of the winding up shall, unless it is proved that the company immediately after the creation of the charge was solvent, be invalid, except to the amount of any cash paid to the company at the time of or subsequently to the creation of, and in consideration for, the charge, together with interest on that amount at the rate of 5 per cent. per annum."

In the *Parkes' Garage* case the facts were not in dispute. The company had been insolvent from March 1st, 1927. It owed a considerable sum of money to creditors, half-a-dozen of whom were pressing for payment. On June 15th the company entered into a contract to sell part of its business for a sum which would enable it to pay off the half-dozen pressing creditors. On the same day the company executed a debenture in favour of an accountant who was acting as trustee for these creditors—a debenture by which the company covenanted with him to pay the principal money thereby secured and interest on the dates specified. By clause 3 of the debenture the company charged with such payments all its undertaking and assets present and future, *i.e.*, the charge was a floating charge. On July 27th the company paid off the debenture out of money received under the above-mentioned contract for sale, so that the debts due to the pressing creditors were satisfied. On September 1st the Midland Bank, who were large creditors for advances to the company, petitioned for its winding up, and on the 14th of that month a winding-up order was made. Thereupon the liquidator sought to set aside the charge under sect. 212 and to recover the amount paid to the debenture holder on July 27th, and the County Court Judge ordered the creditors to repay the money on the ground that the *whole debenture* was invalid.

This decision was reversed on appeal. On the facts it was clear that the County Court Judge had no option but to declare the *charge* to be invalid under sect. 212. The section, however, only invalidates the floating charge; the debenture—the covenant to pay—remains, except in so far as it may be attacked as a fraudulent preference. A debenture, in fact, is no more than a written sealed promise to repay money with interest; it is usually, but not necessarily, accompanied by a charge. In the above case the position, therefore, was that the half-dozen creditors, by their trustee, who was the covenantee, were entitled, in spite of sect. 212, to the benefit of the covenants to pay interest and principal. On July 27th, when the company was able to pay, it was bound to do so, and the trustee could not be ordered under sect. 212 to repay.

On the separate question of fraudulent preference, sect. 210 of the Act of 1908 provides that any conveyance, mortgage, delivery of goods, payment, execution, or other act which in the case of an individual would be deemed in his bankruptcy a fraudulent preference, shall, if made and done by a company, be deemed in the event of its being wound up a fraudulent preference of the creditors of the company, and be invalid accordingly. In the *Parkes' Garage* case the company was hopelessly insolvent from the beginning of March, 1927, and the effect of the payment on July 27th to the half-dozen creditors was to leave no provision for other creditors whose debts largely exceeded the amount so paid. These circumstances, in the opinion of the Court, raised a serious doubt whether the whole transaction, which culminated in the payments on July 27th, was not in the nature of a fraudulent preference; but the point was not raised by the liquidator. The question was directly in issue, however, in the *Stanton* case mentioned above where it also became necessary to consider the concluding words of sect. 212.

In the last mentioned case moneys had been advanced on the security of debentures creating a floating charge on the property and assets of a company. No less than 54 days elapsed after the first advance before the issue of the debentures on January 20th, 1926; but the delay was not acquiesced in by the lenders, who, when they sent the cheques for the advances, wrote that the money was in further payment on account of debentures to be issued as arranged. The company went into liquidation on January 25th, 1926. During the period in which the bulk of the advances were made the lenders were unaware that the company was on the verge of liquidation. The debentures were issued when

the company was unable to pay its debts, and the liquidator claimed that they were invalid—first under sect. 212, and secondly under sect. 210.

Having regard to the *Parkes' Garage* case, it is conceived that the first claim was too wide in any event, but the debenture holders set up the additional defence that the advances had been made at "the time of" the charge within the meaning of the final words of sect. 212, and therefore that the section had no application. Mr. Justice Maugham adopted this contention, and referred to the well known case of *In re Columbian Fireproofing Company* (1910, 1 Ch., 758), where it was held that a payment made on account of the consideration for the security, in anticipation of its creation and in reliance on a promise to execute it, although made some days before its execution, is made at the time of its creation. "I have not a doubt here," observed his Lordship (at p. 193), "that the payments were made on account of the consideration and in anticipation of its creation and in reliance on a promise to execute." Consequently even a 54 days' delay was held to be immaterial. Apparently, therefore, the word "time" in sect. 212 is an indefinite word which must not be taken too literally. The opinion was expressed, however, that the exception in sect. 212 in regard to cash advances at the time would not avail a debenture holder if the delay in the issue of the debenture was one which he had himself procured or suggested.

The claim that the debentures were invalid as constituting a fraudulent preference was summarily rejected by the Court. In the words of the learned Judge "It has long been held, commencing with the case of *Bills* v. *Smith* (6 B. & S., 314), a case of great authority, that if moneys are advanced on an actual obligation by the debtor to give security, the giving of that security on the verge of bankruptcy does not constitute a fraudulent preference." It followed that once his Lordship had decided that the moneys advanced were advanced at the time of the creation of the debentures such debentures could not constitute a fraudulent preference within sect. 210. In the result the liquidator failed on both claims.

It should be observed, for the purpose of distinction, that in the *Parkes' Garage* case it was unnecessary to consider the meaning of the last part of sect. 212, as in that case the original payments to the company had not been made at the time of, or in anticipation of the creation of, a charge, nor in reliance on a promise to execute one.

It should also be borne in mind that when sect. 43 of the Companies Act, 1928, comes into force (probably in November next) sect. 212 of the Act of 1908 will have effect as though six months were therein substituted for three months.

DESIGNATION OF INCORPORATED ACCOUNTANT.

Legal Proceedings in South Africa.

In the Supreme Court on April 17th Mr. Justice Sutton heard an application of the Society of Incorporated Accountants and Auditors against Jesse Ewart Powell, of Strand Street, Cape Town, for an order restraining him from calling himself an Incorporated Accountant (S.A.). The application was supported by the members of the local Committee of the Society and by Sir Harry Hands, Mr. A. N. Foot, Mr. Philip Salisbury, Mr. A. S. Leith and Mr. P. L. Close in their individual capacities.

THE MEANING OF THE TERM.

Mr. Cyril D. Gibson, a Fellow of the Society and Honorary Secretary of the local Committee, pointed out in his affidavit that the applicant Society was registered as a corporate body under the provisions of the Companies Act of the United Kingdom on December 31st, 1885.

For many years the word "Incorporated" had been used by the Society, and soon after the incorporation of the Society the members styled themselves and practised as "Incorporated Accountants," and had consistently done so for many years.

Since 1904 the members of the Society had used this designation in South Africa.

He claimed that the name "Incorporated Accountant" was a special designation and not merely a descriptive name, and one that had come to denote membership of the applicant Society.

Affidavits had also been made by numerous accountants, members of the Society, by Chartered Accountants and others, in which it was stated that the term "Incorporated Accountant" had always been the exclusive and proper designation of members of the applicant Society.

The respondent, as a member of the Institute of Accountants of South Africa, Limited, claimed the right to use the designation "Incorporated Accountant (S.A.)," and denied that he had committed any illegal action. He contended that the right to use this term was conferred upon him by the Articles of Association of the Institute of Accountants of South Africa, Limited, and that the use of the letters "(S.A.)" was sufficient to differentiate the two terms.

Mr. Close, K.C. (instructed by Messrs. Bisset, Hofmeyr & Bochmke), on behalf of the applicant Society, argued that the words "Incorporated Accountant" had acquired a definite meaning in South Africa and England. The high standard of skill and integrity shown by members of the Society had conferred prestige upon the designation, which had been recognised by the public for many years.

Mr. Powell and the Society of which he was a member had no right to endeavour to share in this prestige.

Mr. Alexander, K.C. (instructed by Messrs. Dichmont & Dichmont), argued the addition of the letters "(S.A.)" was sufficient differentiation from the applicant Society's designation. There was no evidence that any confusion had occurred. The Chartered Accountants were satisfied that the title "Chartered Accountants (S.A.)," conferred by the Accountants' Designation Act of 1927, would cause no confusion.

JUDGMENT (*by Cable*).

The learned Judge, in the course of his judgment, said: The facts are not substantially in dispute, and the applicant Society has, in my opinion, upon the affidavits, made an overwhelming case against the respondent. An interdict is sought in very wide terms. I think that it is sufficient to grant an order restraining the respondent from holding himself out or describing himself as being an Incorporated Accountant (South Africa) or Incorporated Accountant (S.A.), leaving it to applicants to make further application should the respondent use the designation "Incorporated Accountant" either alone or in conjunction with any other word, words or any other name, title or description in relation to the respondent. An order will be made accordingly and respondent is directed to pay the costs of the application.

INCORPORATED ACCOUNTANTS' GOLFING SOCIETY.

The 1929 Summer Meeting of the Incorporated Accountants' Golfing Society will be held at Littlestone Golf Club on June 8th and 9th, 1929, commencing at 9.30 a.m.

In a competition consisting of stroke play over eighteen holes, the Society's Challenge Cup will be competed for, and the winner will receive a prize presented by Mr. G. Stanhope Pitt, F.S.A.A. A second prize will be given by the Society. In addition, an eighteen-hole Bogie Competition will be played, for which a first prize will be presented by Mr. F. Martin Jenkins, F.S.A.A., and a second prize will be given by the Society.

Littlestone-on-Sea is 68 miles from London, fourteen miles from Folkestone and half a mile from New Romney Station, which can be reached by convenient trains from Cannon Street. Accommodation can be arranged at Pope's Hotel. Members of the Golfing Society may invite guests to the meeting, and Incorporated Accountants and their articled clerks or clerks may on this occasion attend as visitors.

Membership of the Incorporated Accountants' Golfing Society is open to all Incorporated Accountants and their articled clerks or clerks who have passed or been exempted from the Preliminary examination of the Society of Incorporated Accountants and Auditors. The annual subscription is ten shillings, and meetings take place on different courses during the year. Applications for membership (stating golf club and handicap) should be made to the Joint Honorary Secretaries (Mr. A. T. Keens and Mr. J. R. W. Alexander) at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

Mr. Robert Hay, A.S.A.A., the Deputy Accountant to the Northumberland County Council, has been appointed to succeed Mr. W. H. Lloyd, F.S.A.A., as County Accountant when the latter retires at the end of September next.

ELECTION RESULTS.

The following are the results of the Polls where Incorporated Accountants were candidates:—

AYLESBURY (Bucks).

M. W. Beaumont (Cons.)	20,478
Thomas Keens, F.S.A.A. (Liberal) ..	17,594
F. G. Temple (Labour)	4,509
Conservative Majority	2,884

EAST HAM (NORTH).

Miss S. Lawrence (Labour)	13,969
J. Lees-Jones (Cons.)	11,805
T. Arnold Evans, F.C.A., F.S.A.A. (Liberal)	7,459
Labour Majority	2,164

FAVERSHAM (Kent).

Adam Maitland, A.S.A.A. (Cons.) ..	16,219
Major D. L. Aman (Labour)	15,275
Prof. A. M. Gerothwohl (Liberal)	7,782
Conservative Majority	944

LEEDS (Central).

R. D. Denman (Labour)	17,322
Sir Charles H. Wilson, F.S.A.A. (Cons.) ..	15,958
M. J. Land (Liberal)	5,607
Labour Majority	1,364

WAKEFIELD.

G. H. Sherwood (Labour)	13,893
R. G. Ellis (Cons.)	10,180
L. Parish, F.S.A.A. (Liberal)	3,875
Labour Majority	3,213

Changes and Removals.

Mr. Ernest W. E. Blandford, Incorporated Accountant, has removed to 17, County Chambers, Weston Road, Southend-on-Sea.

Messrs. Chipchase, Wood & Co., have admitted into partnership Mr. Gordon Ball, Incorporated Accountant, at their Ossett and Wakefield branches.

Messrs. H. C. Das & Co., Incorporated Accountants, have removed to 2/1, Mission Row, Calcutta.

Mr. Harry C. King, Incorporated Accountant, has removed to Terminus Chambers, 160, Terminus Road, Eastbourne.

Mr. H. Menzies, Incorporated Accountant, Kingston-on-Thames, announces that he has taken into partnership his son, Mr. W. Douglas Menzies, Incorporated Accountant. The practice will be carried on as before under the style of H. Menzies & Co.

Mr. Edwin G. Pulsford, Incorporated Accountant, has commenced public practice at 42, Station Road, Poole, Dorset.

Mr. C. Wain, Incorporated Accountant, has removed to 7-8, Osbourne Buildings, 91, Kirkgate, Bradford.

INCORPORATED ACCOUNTANTS' HALL DEBENTURE ISSUE.

Members who have not already done so are requested to send immediately to the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, their Allotment Letters to be exchanged for the Debentures.

Society of Incorporated Accountants and Auditors.

South African (Northern) Division.

The sixth annual general meeting of members of the Society of Incorporated Accountants and Auditors, South African (North) Branch, was held in the Corner House, Johannesburg, on Thursday, April 18th.

Mr. Charles Hewitt occupied the chair, and there were also present Mr. M. Dreyer, Mr. N. A. Stott, Mr. S. R. Barnes, Mr. A. Whittaker, Mr. V. L. Andersson, Mr. S. R. Savory, Mr. J. W. Higgerty, Mr. H. J. Summerley, Mr. E. J. Trollip, Mr. A. B. Ryan, Mr. R. B. Pearse, Mr. R. A. H. Palmer, Mr. A. L. Palmer, and the Secretary (Mr. D. P. C. Blair).

The Secretary read the notice convening the meeting.

CHAIRMAN'S SPEECH.

Mr. CHARLES HEWITT, in moving the adoption of the Report of the Committee and the audited accounts for the year, said: "It is customary for the Chairman to make some reference to the finances of the Branch. The accounts for the past year which have been forwarded to you in printed form need very little comment. They show a surplus of income over expenditure of £95 15s. 2d. An item which appears for the first time is a small profit on the South African Examination Fees.

During the year seven new members were admitted, while one was removed from our roll of membership for disciplinary reasons. The membership of the Branch, which includes the Transvaal and Rhodesia, now stands at 120. The following figures as regards articles entered into by members will be of interest. For the years 1926 and 1927 the figures given do not include Natal, which in those years was part of this Branch:—1926, nineteen; 1927, eighteen; 1928, eighteen.

It can therefore be confidently anticipated that in a few years' time the yearly number of admissions to membership of the Society within our sphere of influence will be greatly increased, although the present figures cannot be regarded as anything but satisfactory.

I append a statement showing for the two examinations of last year the number who sat, the number of passes, and the percentage of passes:—

1928.	*Sat.*	*Passed.*	%
May—Final	10	4	40
Intermediate	9	7	77.7
Preliminary	5	4	80
Totals and Average ..	25	15	62.5

1928.	*Sat.*	*Passed.*	%
Nov.—Final	9	2	22.2
Intermediate	13	7	53.8
Preliminary	6	3	50
Totals and Average ..	28	12	42.8

Total—			
Final	19	6	31.5
Intermediate	22	14	63.6
Preliminary	11	7	63.6
Totals and Average ..	52	27	51.9

VISIT TO ENGLAND.

During recent months I paid a long-deferred visit to Europe, and took an early opportunity whilst in London of calling at the Society's headquarters and on Sir James Martin. From Sir James and from the Society's officials, including in particular Mr. Garrett (the Secretary) and Mr. Alexander (the Parliamentary Secretary), I received a most cordial welcome. In spite of the fact that I called within 48 hours of my arrival in Europe, I found that a search throughout London was being made for me by the Society. This initial call was followed by many others. In fact, when a day passed without my making an appearance in Gresham Street, or, later, at the new offices on the Thames Embankment, Mr. Garrett displayed the greatest anxiety for my well-being.

These visits were amongst the most pleasant incidents of my trip oversea. I came in contact with a number of members of the Council, all of whom displayed the greatest interest in the welfare of the members of the Society in South Africa and a very keen desire to assist us. Sir James Martin took an early opportunity of showing me over the new headquarters of the Society on the Embankment and pointed out its many beauties. These new offices can best be described as the world's headquarters of a very great Society. They are situated in a most convenient and central part of London, easily accessible from any other part by numerous 'bus services or by the underground railways. It is the intention that they should be used as a rendezvous by Incorporated Accountants from the Provinces and from oversea. Members of this Branch who visit England should not fail to call at the headquarters of the Society, where I can assure them they will receive a most cordial welcome from Mr. Garrett, from Mr. Alexander, and from the various senior members of the Society in London who call at headquarters almost daily. During my stay the Society moved into its new building from the old offices in Gresham Street where the Society had been domiciled for many years. Owing to this move the staff was working at exceptionally high pressure, but this circumstance did not in any way detract from the cordiality of the welcome extended to me or the time which Mr. Garrett and his staff were able to devote to discussions with me on South African affairs, and to my entertainment.

A meeting of the Committee on South African affairs was held, at which I was invited to be present and take part in the discussion. Many matters of interest to the Branch, including those arising out of the meeting of the Advisory Council held in Durban last year, were discussed in a spirit of sympathy and understanding, and decisions arrived at which have, I feel certain, given every satisfaction to the various South African Committees. The Committee expressed its pleasure that the Advisory Council as now constituted is performing its functions harmoniously and efficiently. Throughout my stay in London I saw few references to South Africa either in the Press or on the hoardings. It was therefore all the more pleasing to find at the headquarters of our own Society a body of exceptionally busy men whose names are household words throughout the profession, and in an even wider sphere, devoting more time to the interests of our South African Branches than we are possibly devoting to them ourselves.

It was a matter of great regret to me that I was unable to accept a very pressing invitation to represent South Africa at the official opening of Incorporated Accountants' Hall in February by His Royal Highness the Duke of York. You will have read in the *Journal* the account of this opening, also the letter from Sir

James Martin expressing his regret that illness prevented him from being present. Those who know Sir James will realise how poignant must have been his regret at being unable to attend what was practically the consummation of his life's work. He stands out very conspicuously as one of the fathers, not only of his own Society, which he has served for so many years, but of the accountancy profession generally. No individual has done more than has Sir James to improve and maintain its status, and you will, I feel sure, join me in expressing the sincere wish that long before now he has been restored to that wonderful state of health which he has always enjoyed; also that he will be spared for many years to continue the work which to him has been a labour of love, namely, the expansion of the Society throughout the world, and the maintenance and improvement of its status.

I had occasion to visit Leeds, and was able to arrange for my visit to coincide with the date of the annual dinner of the Yorkshire District Society of Incorporated Accountants and Auditors, where I received the greatest hospitality and was called upon to respond on behalf of South Africa to the toast of the accountancy profession. One more matter arising out of my visit to England to which I would like to refer is that I was enabled to come in contact with some of the examiners of the Society, including in particular Mr. Walter Holman, with whom I had lengthy discussions on matters connected with the examinations. What I saw and heard satisfied me that the Society has a body of examiners whose competency is unquestionable and who carry out their work with fidelity and impartiality. In my opinion those who are adequately prepared for the examinations have no need to fear the examiners, while those who enter on the speculative chance of striking questions which they have encountered during a comparatively short period of preparation will, in all probability, fail to obtain the qualifying marks. Generally my message to the members of this Branch and, if I may add without impertinence, to the members of the Society throughout South Africa, is that they belong to a wonderful organisation, powerfully controlled and splendidly equipped, with world-wide ramifications and a status which is accepted unhesitatingly in every civilised country.

In return it will be pleasing to you to know that our friends in England who are controlling the Society look upon South Africa as its most valuable outpost, that the full strength of a wonderful organisation is behind us in all our lawful undertakings, that their counsel and assistance are always at our disposal, and that, consistent with the determination to maintain and improve the status of the Society, every reasonable recommendation from a Branch or, if it is a matter of Union importance, from the Advisory Council, will be treated with the greatest sympathy and consideration by the President, Council and officials at headquarters. In addition to those gentlemen already mentioned, I had the pleasure of meeting Mr. Keens (the President), Mr. G. Stanhope Pitt, who visited us a few years ago, Mr. Witty, Mr. William McIntosh Whyte, and many others. I take this opportunity of thanking them one and all for their kindness and hospitality during my visit to London.

THE PRELIMINARY EXAMINATION.

Turning to matters of local interest, the controversy which is at present proceeding in the newspapers in connection with the intentions of the Joint Matriculation Board is of interest to this Society in common with all other professional bodies which accept the matriculation examination in lieu of their own preliminary examination or which, not having such an examination of their own, regard matriculation as a qualification for articleship. This Society, in common with all professional bodies in England, has its own preliminary examination, which has been evolved after many years of thought and study. The matriculation examination is one of a number accepted in lieu of our own preliminary examination.

I have long held the view, though I do not desire to commit anybody but myself to it, that there are many disadvantages in treating matriculation as the sole means of entry to any professional body, though as long as matriculation remains the test for University entrance the objections are less cogent. The chief objection which I see, and here I am again expressing my own opinion, is that boys who are compelled to matriculate enter the professions on an average at least two years later than they ought to commence their chosen vocation. It must never be forgotten that the commencement of articles is really the commencement of the more serious education of the professional aspirant. In the case of our own Society the boy, after commencing articles, has to look forward to at least four and possibly five or more years of hard study before he finally qualifies.

Reverting to our own preliminary examination, to which I have referred with approval, it is, as you are aware, our policy to allow South African students to take Afrikaans in lieu of a foreign language. Our policy in this respect is only justified on the grounds of expediency. We fully realise the cultural advantages of a second language. The position in South Africa, however, is that boys in South African schools are compelled to devote so much of their time to learning the second official language that it is unfair to expect them to qualify in a further language. A preliminary examination under the auspices of a South African body would be even better adapted to our own South African students. A slight disadvantage inherent in our Society's own preliminary examination is that, as it is intended primarily for students in the British Isles, questions in such subjects as history, geography and general knowledge are naturally framed with a view to the requirements and qualifications of the majority of the examinees. Our Society is strongly represented on the Council of the Transvaal Society and no question whatever as between the two Societies arises except where helpful comparisons may be made as to the practice on any point of one or other of the two Societies. The two Societies have similar objects and work in complete harmony.

THE PROFESSION AND PARLIAMENT.

It is probably known to most of our members that a Bill is being introduced into Parliament by a distinguished advocate, Mr. Alexander, the purpose of which seems to be further to lower the standards of the profession and to confer on the rejects under the Pearce Agreement the right to call themselves Chartered Accountants without joining any Society. The Bill is too stupid to admit of serious criticism. If I understand it rightly, the title, once conferred, can never be withdrawn even if the holder commits a criminal offence. Moreover, he would be under no disciplinary control whatsoever. Attached to the Bill is a list of occupations said to be those of a public accountant. Employment in any one

of these as a principal for ten years would permit of a man calling himself a Chartered Accountant. These include a secretary of companies, which have not their own offices, who does the book-keeping work in connection with his companies, and also a man who acts as an arbitrator or expert witness where matters of accountancy are concerned.

One of the matters which have occupied the attention of the Committee of your Branch during the past year has been the tendency for members of the Society who, in the nature of things, are members of another Society, to employ the full quota of articled clerks permitted under the rules of both Societies. It need hardly be pointed out that the objects of this limitation are, firstly, to ensure that the clerks are adequately trained; secondly, to prevent the exploitation of cheap labour; and, thirdly, to prevent the profession being swamped by more accountants than it can absorb. This matter was dealt with by the meeting of the Advisory Council, and was also considered by the South African Committee in London at a meeting at which I was present. The members of the South African Committee inform me that the problem is one which is receiving the consideration of the Council in England. I suggested to them the possibility that the number of clerks permitted in any firm might be based, not on the number of principals, but on the number of qualified men, whether principals or senior clerks. This would solve at least one of the three problems involved in limitation, viz, the acquisition of an adequate professional training.

In conclusion, I wish to thank my colleagues on the Committee for their assistance and encouragement during the year which has just closed and, in particular, Mr. Stott, on whom a good deal of extra work was thrown during my absence in Europe. I should also like to convey my thanks to the Secretary, Mr. D. P. C. Blair, whose services are always at our disposal and whose zeal for the well-being of the Society in South Africa and for the maintenance and improvement of our high standards of qualification is one of our greatest assets.

The adoption of the Report and Accounts was duly passed.

COMMITTEE.

The Chairman stated that as the only nominations received were those of the retiring Committee, he declared the following duly re-elected:—Mr. Alex. Aiken, Mr. M. Dreyer, Mr. A. L. Palmer, Mr. H. J. Macrae, Mr. E. C. Lowe, Mr. A. D. Hodgson, Mr. C. Hewitt, Mr. L. A. Whiteley, Mr. S. R. Barnes, and Mr. N. A. Stott.

AUDITOR.

On the motion of Mr. M. Dreyer, seconded by Mr. A. L. Palmer, Mr. O. F. Brotherton was re-elected Auditor, and his remuneration for the past year was fixed at £10 10s.

VOTE OF THANKS.

The meeting closed with a very hearty vote of thanks to the Chairman for his conduct in the chair, and for his services during his year of office. This was proposed by Mr. A. L. Palmer, and seconded by Mr. N. A. Stott.

Society of Incorporated Accountants and Auditors.

South African (Western) Division.

The annual general meeting of the members in the above Division was held in the Argus Board Room, Cape Town, on Monday, April 22nd, 1929. Sir Harry Hands, K.B.E. (Chairman), presided, and was supported by Mr. P. L. Close, Mr. James Douglas, Mr. W. B. Gurney, Mr. P. Salisbury, members of the Committee, and Capt. S. Courtney Cook, Mr. H. B. George, Mr. K. C. M. Hands, Mr. H. Hyslop, Mr. D. H. Pulker, Mr. A. C. Sargeant, Mr. A. Thal, and Mr. C. D. Gibson (Hon. Secretary).

The Hon. Secretary having read the notice convening the meeting, the minutes of the annual general meeting held on March 5th, 1928, were read and confirmed.

CHAIRMAN'S ADDRESS.

The Chairman outlined the events of the past year, mentioning his visit to England and the cordial reception which was given to him, and which awaited all members who visited Incorporated Accountants' Hall. He then proceeded to give the results of the examinations held at that centre in 1928, and announced that five candidates, Mr. H. Greenwood, Mr. R. A. Dawe, Mr. H. D. Peck, Mr. H. R. van der Poel, and Mr. P. W. Westerton, were duly admitted to Associateship.

He then outlined the formation of the Advisory Council for South Africa, and gave an account of the first meeting of that Council, held in Durban on August 16th, 1928. Arising out of the proceedings at that meeting, the Chairman announced that the Committee had decided to require candidates for the examinations of the Society to have passed the Matriculation examination instead of sitting for the Preliminary examination in South Africa. He gave the views of the Committee on the matter, and invited those present to express an opinion thereon.

The Chairman then referred to the case then pending in the Supreme Court in which the Society were seeking to restrain Mr. J. E. Powell from using the designation "Incorporated Accountant (S.A.)" and went on to countenance members of the Society against using "Incorporated Accountant (Eng.)" instead of the world-wide designation of "Incorporated Accountant." He then made mention of the Incorporated Accountants' Benevolent Fund, and read to the members the acknowledgment received from Headquarters of the recent contribution forwarded through the Committee. He also announced that the Committee had sent a cable to the Council on the occasion of the Royal opening of Incorporated Accountants' Hall, and read a letter of thanks received from London.

In the course of a discussion which followed, Mr. Thal proposed, and Mr. George seconded a motion approving the action of the Committee in requiring candidates for the Society's examinations to have passed the matriculation examination in the first instance. The motion was carried with one dissentient.

AUDITOR.

It was proposed by Mr. Douglas, and seconded by Mr. Hyslop, that Mr. H. J. Notcutt be re-elected Auditor for the current year. This was carried unanimously.

COMMITTEE.

The Chairman announced that as no other nominations had been received, it was his duty to declare himself and Mr. James Douglas to be re-elected for a period of three years. Mr. G. Hadfield was elected a member of the Committee in the place of Mr. Gother C. Mann, who did not seek re-election, and Mr. A. S. Hooper was appointed in the place of Mr. F. C. McConnell, who had removed to Johannesburg.

THANKS TO CHAIRMAN.

Upon the proposal of Mr. Douglas, a very cordial vote of thanks was accorded to the Chairman for his services in presiding at the annual general meeting, and also at the Committee meetings throughout the year.

Society of Incorporated Accountants and Auditors.

South African (Eastern) Division.

The first annual general meeting of the members of this Division was held at the offices of the Hon. Secretary, 376, Smith Street, Durban, on Tuesday, March 26th, when there were present Mr. Douglas MacKeurtan (in the chair), Mr. H. E. Mattinson, Mr. G. E. Noyce, Mr. G. Lance Horne, Mr. L. Hudson, Mr. G. Goddard, Mr. A. H. Berend, Mr. E. S. Crosoer, Mr. J. D. Cunningham, Mr. W. J. A. Campbell, Mr. F. Hall, and Mr. W. R. Fraser.

Apologies for absence were received from Mr. H. O. Berend, Mr. N. E. O. Jones, Mr. James Craib, and Mr. F. E. Osborn.

The Hon. Secretary read the report of the Committee, together with the accounts and auditors' report, and on the motion of Mr. H. E. Mattinson, seconded by Mr. J. D. Cunningham, they were unanimously adopted.

AUDITOR.

On the motion of Mr. L. Hudson, seconded by Mr. E. S. Crosoer, it was resolved to re-appoint the retiring auditor, Mr. F. E. Osborn, as auditor for the ensuing year.

COMMITTEE.

On the motion of Mr. Douglas MacKeurtan, seconded by Mr. L. Horne, Mr. H. E. Mattinson, Mr. James Craib and Mr. N. E. O. Jones, the retiring members of the Committee, were re-elected.

BENEVOLENT FUND.

Mr. Mattinson proposed, and Mr. A. H. Berend seconded a resolution to donate the sum of five guineas to the Benevolent Fund of the Society in London. This was unanimously adopted.

VOTE OF THANKS.

On the motion of Mr. A. H. Berend, seconded by Mr. H. E. Mattinson, the meeting unanimously passed a vote of thanks to the Chairman for his valuable services during the year, and on the motion of Mr. G. E. Noyce, seconded by Mr. L. Hudson, a similar vote of thanks was passed to the Hon. Secretary, Mr. W. R. Fraser, which particularly mentioned the work he had done incidental to the establishment of the Committee in Natal.

Correspondence.

GROUP INSURANCE.

To the Editors, INCORPORATED ACCOUNTANTS' JOURNAL.

SIRS,—I have perused the summary of a lecture delivered by Mr. H. E. Raynes before the Students' Society on March 5th.

During the past few months I have had occasion to go very fully into group insurance on behalf of a company with a large staff.

An American company quoted for group pension, disablement and death benefits. It was subsequently revealed that (as regards the company in question), this class of insurance was started ten years ago in the U.S.A., and a year ago in England. There is, therefore, no actual experience available covering a whole group of working lives in one firm from boyhood to age of retirement.

Statements as to employees' starting and leaving ages, disablement, transfers from one salary grade to another, &c., can only be estimates.

The quotations to the company only represented the first year's premiums. Future premiums are unknown, but were stated to be "practically a fixed percentage of the pay-roll." This is impossible, in view of the experience noted above, and in a firm where there are few changes in the staff the cost to the employer will grow each year after an employee reaches approximately 38 years of age, *i.e.*, the age at which the combined premiums become insufficient to buy him an annuity payable at age 65, "the employer pays the balance." Each year this figure rises because under the American system the pension in respect of each year is purchased at the beginning of each year by payment of a *single premium*. Since the capital value at age 65 of a pension of £1 per annum is approximately £10, it follows that the single premiums payable each year in respect of any individual employee would be such an amount as will, if invested at compound interest, accumulate to £10 at age 65. For an employee joining the scheme at age 25 the first single premium required will be invested for 40 years, and will be about £2; the single premium required one year later will be invested for 39 years, and must, therefore, be somewhat larger—say £2 2s. 9d.—and so on. The last single premium required will be invested for one year only, and must, therefore, be approximately £10. All the while the employee's contribution remains stationary—"the employer pays the balance." (The foregoing excludes the question of mortality.)

It is estimated that in the unlikely event of every present employee remaining until retirement age, the firm's contributions in the last year would be at least five times that of the first year. In addition, the death premiums continue until retirement.

In the event of an employee leaving the firm's service, "evidence of health" is required before the *percentage* of his premiums (pension only and those without interest) will be returned.

Taxation (an Inland Revenue periodical) says: "It will be obvious that the young pay for the old. As soon as the young realise the position, the tendency will be for them to drop out, so raising the age limit and increasing the premiums for the older men who would naturally stay in."

There is no surrender value of the life policy. It expires at the end of each year. The offer to grant a policy without "selection" on leaving the firm's employ is negligible. If the employee left in good health, any company would grant a policy without examination. If, on the other hand, his health had deteriorated, it is difficult to see how he would meet the premiums.

There is no clause in the draft contract providing for trustees, so that if the company goes into liquidation or is otherwise disposed of, there is no safeguard for the employees.

Yours faithfully,

N. R.

FRIENDLY SOCIETIES AND THEIR ACCOUNTS.

The following are extracts from the Report of the Chief Registrar of Friendly Societies for the year 1927 :—

DEFALCATIONS.

The examination of returns showed that a number of defalcations had taken place during 1926. It was evident in the majority of cases that the defalcations were facilitated by the employment of inefficient auditors and by the failure of committees to carry out the duties of supervision and control which their acceptance of office entailed. Such negligence not only jeopardises the successful prosecution of the defaulters, but is apt also to prevent recovery under any guarantee policy which may have been taken out. In one case a guarantee society repudiated liability on a £200 policy on the grounds that the haphazard manner in which the delinquent had been allowed to handle cash and the general lack of normal precautions constituted a breach of the contract.

In several instances the irregularities were not discovered until after the death of the offenders, and, as they left no estate, the amounts had to be written off as irrecoverable.

The following are some of the more serious cases which came to light. In the first three of these proceedings were instituted by the Director of Public Prosecutions, to whom they were reported by the Registrar as they were of an unusually grave nature and the amounts involved large.

(1) *Western Co-operative Friendly Loan Society.*—George Dittman, the secretary of this society, was prosecuted for fraudulent conversion and falsification of accounts. The defalcations, which amounted to £1,806 2s. 6d., were covered by systematic false entries in the society's books. The defendant pleaded guilty, and was sentenced to twelve months imprisonment, in the second division.

(2) *Loyal Lord Nelson Lodge, No.* 3884, *I.O.O.F., M.U.*—The secretary of this branch, Lionel William Butters, had misappropriated upwards of £1,000. A sum of £600 repaid on mortgage was not entered in the books of the branch as such, though the actual cheque was used as against other moneys received at the same time. Defalcations had taken place over a period of years. Upon indictment the defendant pleaded guilty to certain counts charging him with embezzlement and falsification of accounts, and was sentenced to nine months imprisonment in the second division.

(3) *Ponders End Sick Benefit and Annual Dividing Society.*—Walter Stokes, lately secretary of this society, was prosecuted upon six charges under the Falsification of Accounts Act, 1875, arising out of the returns of this society to the Registrar. The defendant had systematically shown false balances on deposit at the bank to cover cash deficiencies, which amounted to £1,690. Five ledgers were discovered in the defendant's coal cellar after his arrest. He elected to be dealt with summarily and pleaded guilty to all the charges. He was sentenced to three months imprisonment with hard labour upon each of the charges, the sentences to run concurrently.

(4) *Tooting Progressive Working Men's Club and Institute.*—For several years a public auditor had commented in his reports to the committee of this working men's club on the inefficient manner in which the books had been kept. In spite of assurances from the secretary that arrangements would be made to deal with the various criticisms of the auditor, the state of affairs continued. Early in 1927 the secretary disappeared, leaving the records of the club in a chaotic condition. The public auditor was supplied with such material as was available for the preparation of the annual return for 1926, and it was discovered that as a result of the secretary's irregularities the club had sustained a loss of £218. The club was prevented from taking legal action by the death of the defaulting officer, and, as he left no estate, the amount involved had to be written off.

(5) *Derby District of the Grand United Order of Odd Fellows Investment Association.*—The annual return of this specially authorised society showed an amount written off as irrecoverable. As a result of correspondence with the society, it was ascertained that an investigation of the accounts had revealed a cash deficiency. Action for recovery of the amount was taken against the secretary, but it transpired in evidence that this officer had actually reduced the amount of the deficiency during his term of office, the responsibility for the shortage being traceable to his father, a former secretary. In the circumstances the case was dismissed, and, as the responsible officer had died leaving no estate, there was no alternative to writing off the deficiency, which at the date of discovery stood at £268. The society has now taken out guarantee policies in respect of the officers handling its cash.

(6) *Chester and North Wales Grand Division O.S.T.*—On the death of the secretary of this branch, an investigation into the books showed that he had defaulted to the extent of £1,124 10s. 6½d. The accounts were reputed to be audited by lay auditors, but sums of £800 shown as invested on mortgage and £320 shown as cash in banks in the annual return for 1925, did not in fact exist. Of the total deficiency only £87 12s. 7d. has been recovered.

(7) *Loyal Canterbury Lion Lodge, No.* 1300. *N.I.O.O.F.*—The experience of this branch provides another illustration of the need for the employment of competent persons as auditors. Following inquiries by the Registrar as to discrepancies between contributions shown in the annual return and contributions shown in the quinquennial valuation, investigations were made and it was found that there were serious irregularities in the accounts of the branch. The matter was placed in the hands of a public auditor for investigation, and as a result the secretary of the branch was prosecuted for embezzlement and falsification of accounts and sentenced to three months imprisonment in the second division. It appears from the public auditor's report that over the period of

three years covered by his investigations, the secretary was responsible for a cash shortage of £200 8s. 9d., and that there was probably a further shortage of £150 on account of years previous to that period not investigated. The report stated that "the discrepancies which existed in the records that were actually passed through the books would never have been permitted to continue" had the auditors on any one occasion compared the bank pass book with the branch cash book or called upon the treasurer to give them evidence of the cash in hand. The treasurer was negligent in that he was in the habit of signing a small blank book for all moneys received, and did not count the money at the time of receipt. At the quarterly audit he signed the accounts without any consideration of what he was doing, and had no record of his own to refer to to see whether the moneys stated in the accounts were the sums he had received. The public auditor expressed himself as being

> "strongly of the opinion that the methods of conducting the records of the lodge are almost in every respect most unsatisfactory and are open to fraud at any time, but not necessarily in the way in which it has in the past been carried out."

(8) *Court Star, No.* 1598, *A.O.F.*—The Ministry of Health informed the Registrar early in 1927 of irregularities in the State side accounts of this branch, the secretary being held responsible for a shortage of £36 0s. 5d. Inquiries were made, and the Registrar was informed that the Voluntary side accounts of the branch were being investigated, and later that the accounts were found to be in order. The branch, however, failed to submit its annual return and prosecution was threatened. The Executive Council of the Order placed the matter in the hands of a special investigator, and as a result it was discovered that the secretary had been defrauding the branch since 1922. He was prosecuted and received a sentence of six months imprisonment with hard labour. The total defalcations amounted to £765 6s. 9d., and claims were made against the guarantee society of the Order and the secretary's estate in bankruptcy for this amount. The latter produced £582 15s. 11d., and the guarantee society made an *ex gratia* payment of £250 towards the balance of loss and costs.

(9) *Court Foresters Hope, No.* 2355, *A.O.F.*—An investigation into the accounts of this branch revealed irregularities in payments of benefits in respect of members who were dead or had left the branch and for payments beyond the dates of real sickness. The irregularities had continued since 1923, and the audits had failed to reveal them. The audits according to the rules should have been held quarterly, but the secretary was stated to be an overbearing man, and the branch had agreed to the postponement of audits to the half yearly and annual audits. The defalcations amounted to £257 6s. 3d., and the secretary was prosecuted and sentenced to 15 months imprisonment in the second division. The actual loss to the branch was £68 15s. 3d., as the balance was recovered from the guarantee society.

(10) *Prudence Lodge, No.* 260, *I.O.O.F., K.U.*—The secretary defrauded this branch of £157 3s. 4½d. by withholding repayments on mortgages handed to him to be banked, and contributions paid by members. The auditors reported that the balances at banks shown in previous returns did not agree with the pass books, and that if the former auditors had carried out their duties properly the defalcations would have been discovered earlier. £100 was accepted from the relatives of the secretary in full settlement. It is understood that nothing would have been recovered if this amount had not been accepted.

(11) *Bird in Hand Lodge, No.* 6137, *G.U.O.O.F.*—The secretary defrauded the branch of £110 13s. 11d. Proceedings were taken against him, and he was fined 40s. and ordered to repay the amount. He was committed to prison for two months in default of payment.

(12) *Shepherds on the Mount Lodge, No.* 1758, *L.O.A.S.A.U.*—The auditors, after an examination of the books of this branch, discovered a deficiency of £147 3s. 4½d. in the accounts. The secretary admitted full liability and proceedings were taken against him and he was fined £2 and ordered to repay the amount at the rate of 10s. per week or in default to go to prison for one month. The amount is being repaid.

(13) *St. James' Lodge, No.* 465, *U.A.O.D.*—After an investigation into the accounts of the branch from 1921 it was discovered that the secretary had been withholding contributions of members and debiting sickness claims which were not paid to the members, to the extent of £290 1s. 10d. He was convicted and sent to prison. The branch recovered only £25 on an endowment policy surrendered by him and £75 under his guarantee.

AUDIT.

The Friendly Societies Act, 1896, requires that every registered society and branch shall once in every year submit its accounts for audit either to one of the public auditors appointed under the Act or to two or more persons appointed as the rules of the society or branch provide.

The public auditors are qualified accountants who undertake the work at a moderate fee according to a prescribed scale and each year the examination of the annual returns furnishes further evidence of the advantages which societies and branches derive from their employment. The experience of the Birmingham District No. 21, I.O.R.S.U., provides a good illustration. The accounts of the district had been audited by lay auditors until a public auditor was appointed to audit the accounts for 1926, and as a result it was discovered that there had been a deficiency in assets of £5,160 at December 31st, 1925. The annual return for that year had been certified as correct by the lay auditors who must have neglected one of their most important duties, viz, the verification of the assets. The public auditor was unable to discover evidence of misappropriation and, apart from inflation of funds due to muddled records and unsystematic balancing, no explanation as to how the deficiency had arisen could be given. It was therefore necessary to write off the whole of the deficiency against the district funeral fund.

The accounts of the Middleton Central Working Men's Club were audited by two lay auditors, but the

committee apparently was dissatisfied and resorted to a firm of professional auditors. The firm drew up revised accounts, which disclosed a cash deficiency amounting to £107, and a shortage of £65 in the bank balance. No legal action was considered to be practicable as the new auditors held the opinion that the deficiencies were largely due to faulty account keeping and inadequate cash control. The auditors advised the society as to the steps to be taken to prevent a recurrence, and the committee has agreed to work in accordance with their recommendations.

INCORRECT ACCOUNTING.

The manner in which inaccuracies can remain undetected by lay auditors year after year is instanced by the Parkhead Friendly Society, whose annual returns showed as invested in property a sum of £1,256 17s. 1½d. at the end of 1925, and £1,251 11s. 4½d. at the end of 1926, without any transaction to account for the difference. Considerable correspondence took place, and the actual position was only elucidated at an interview suggested by the Assistant Registrar for Scotland.

It appeared that the property had been acquired some thirty years ago at a cost which cannot now be accurately ascertained, and paid for with borrowed money—£2,800 on heritable bond and the remainder on promissory notes from members. No proper asset account was ever opened in the books, and neither the receipt nor repayment of the money covered by the promissory notes was treated correctly in the books.

The promissory notes have now all been redeemed and the repayments seem to have been treated as expenditure, the effect being the same as if the property had been written down by an equivalent amount.

Of the £1,256 17s. 1½d. described in the balance-sheet as the value of the property at December 31st, 1925, £1,200 represented the difference between the original £2,800 borrowed *on bond* and the £1,600 still owing. The remaining £56 17s. 1½d., therefore, probably represented accumulations of small cash shortages. For instance, it had not been the practice at the annual audit to find out what the balance of cash in hand and at bank should be and see that this was produced; instead, whatever amount was produced was taken as correct, and if the accounts did not balance an adjustment was made in the amount shown as invested in property, though there were possibly other unknown factors accounting for it.

It was arranged that:—

(*a*) The odd £56 17s. 1½d. (or £51 11s. 4½d. as at end of 1926) should be written off as unaccounted for;

(*b*) The £1,600 still owing on the bond should be shown as a liability; and

(*c*) The value of property should be taken for the time being as £2,800, but a valuation of the property was to be made by a professional valuer, and if that were less than £2,800, any difference was to be written off.

The property was, in fact, subsequently valued at only £2,100, and the society undertook to write it down to this figure. The annual return for the ensuing year, however, contained the following entries in the balance-sheet:—

Liabilities.

Bond on Property	£1,600
Appreciation value of property ..	£500

Assets.

Land and Buildings	£1,200
Value of property, December 31st, 1927	£2,100

The assets thus included both the property at the reduced value and the excess of the former value over the bond. Nevertheless, the auditors (unqualified) gave a clear certificate to the return, which, however, has since been corrected at the request of the Assistant Registrar.

In the return for 1925 of the Palm Lodge, No. 55, St. A.O.A.F.G., £84 19s. 0½d. had been shown on the assets side of the balance-sheet as an unrecovered defalcation. The item disappeared in the annual return for 1926, but there was no entry writing off the deficit, nor had the sum been recovered. On inquiry, it was found that the amount, and an additional amount of £55 4s. 7½d. (representing defalcations discovered in 1926), had been accounted for by writing up the value of land and buildings owned by the branch. These errors were corrected, but the value of land and buildings still could not be reconciled with the value at the end of 1925. The explanation was that the branch had in previous years borrowed money to pay for repairs and treated the loans as a reduction in the value of the property. As £130 loans had been repaid in 1926, it was necessary to add back this sum to the property account in order to square it. The gross inaccuracy of the branch's methods was pointed out, and an undertaking secured that the accounts would be properly kept in future.

In connection with the valuation of the Mar Lodge, No. 1072, N.I.O.O.F., which owned a hall, it was stated that "profits on the working are written off the purchase price, and losses are added to the purchase price." The branch was informed that this arrangement was incorrect, and was instructed how to account for the income and outgoings on the property in its accounts and annual returns. As the yield on the property was unsatisfactory, the branch was also urged to have a professional valuation, with the result that it was found necessary to write down the property from £156 to £48. Incidentally, the depreciation of the property by £108 resulted in the disappearance of the valuation surplus of £87.

In the return of the Denny and Duniface Funeral Friendly Society, an item of £69 was entered in the income and expenditure account as "Deficiency in Benefit Funds at the end of the year," but as the amount was not carried into the balance-sheet it was evident that it was a balancing item. Further, the amount of funds brought forward was £26 more than that in the previous year's return. In explanation, the society stated that the former secretary—an elderly man—had died during the year, and errors could not be traced. The total of £95 had accordingly to be brought in as income not otherwise accounted for.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on May 14th, when there were present: Mr. Thomas Keens (President) (Luton) in the chair; Mr. R. Wilson Bartlett, J.P. (Newport, Mon.), Mr. W. Bateson (Blackpool), Mr. H. J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. Arthur Collins (London), Mr. W. Allison Davies, O.B.E. (Preston), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Ernest T. Kerr (Birmingham), Sir James Martin, J.P. (London), Mr. Henry Morgan (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. William Paynter (London), Mr. A. E. Piggott (Manchester), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), Mr. A. A. Garrett (Secretary), and Mr. J. R. W. Alexander (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. F. Walmsley, J.P., Mr. G. S. Pitt, and Mr. W. Claridge, J.P.

BILLS IN PARLIAMENT, 1929.

A report was received of the decision of the Local Legislation Committee of the House of Commons in regard to the Audit Clause of the Chester Corporation Bill.

SOUTH AFRICAN MATTERS.

(*a*) A report was received in regard to the application made to the Supreme Court in Cape Town by a number of the Society's members resident and practising at the Cape to restrain one Powell from describing himself as an "Incorporated Accountant (South Africa)." It was intimated by cable that the Court had made an order restraining the respondent from holding himself out or describing himself as being an Incorporated Accountant (South Africa) or Incorporated Accountant (S.A.), leaving it to applicants to make further application should the respondent use the designation Incorporated Accountant either alone or in conjunction with any other word, words or any other name, title or description.

(*b*) The Council had before them the reports of the respective annual meetings of the three Committees of the Society in Cape Town, Johannesburg and Durban.

A further meeting of the Council was held after the Society's Forty-fourth Ordinary General Meeting on the same date.

ELECTION OF PRESIDENT.

Upon the motion of Mr. C. Hewetson Nelson, seconded by Mr. E. W. C. Whittaker, it was resolved unanimously that Mr. Thomas Keens be re-elected President, to hold office until the meeting of the Council to be held in November, 1929.

ELECTION OF VICE-PRESIDENT.

Upon the motion of Mr. Thomas Keens, seconded by Mr. Henry Morgan, it was unanimously resolved that Mr. Arthur Edwin Woodington be requested to fill the office of Vice-President until the meeting of the Council to be held in November.

COMMITTEES.

The following Committees were elected:—

Disciplinary Committee.—The President, the Vice-President, Mr. H. J. Burgess, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. H. Morgan, Mr. G. S. Pitt, Mr. F. Walmsley, Mr. E. W. C. Whittaker, and Sir Charles Wilson.

Finance and General Purposes Committee.—The President, the Vice-President, Mr. Arthur Collins, Mr. H. Morgan, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. Alan Standing, Mr. F. Walmsley, Mr. W. McIntosh Whyte, and Sir Charles Wilson.

Examination and Membership Committee.—The President, the Vice-President, Mr. H. J. Burgess, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. W. Holman, Mr. H. Morgan, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. W. Paynter, Mr. R. T. Warwick, and Mr. W. McIntosh Whyte.

Parliamentary Committee.—The President, the Vice-President, Mr. W. Bateson, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. W. Holman, Mr. E. T. Kerr, Mr. H. Morgan, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. E. W. C. Whittaker, Mr. W. McIntosh Whyte, and Sir Charles Wilson.

Hall Committee.—The President, the Vice-President, Mr. Arthur Collins, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. R. T. Warwick, and Sir Charles Wilson.

Articles and Bye-Laws Committee.—The President, the Vice-President, Mr. W. Allison Davies, Mr. E. Cassleton Elliott, Mr. Alan Standing, Mr. Percy Toothill, and Mr. E. W. C. Whittaker.

District Societies Committee.—The President, the Vice-President, Mr. R. Wilson Bartlett, Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. W. Allison Davies, Mr. W. Holman, Mr. E. T. Kerr, Mr. W. Paynter, and Mr. R. T. Warwick.

EXAMINERS.

The following were elected Examiners to the Society: Sir Josiah Stamp, G.B.E., Sc.D., D.Sc., Mr. C. Hewetson Nelson, J.P., F.S.A.A., Mr. Richard A. Witty, F.S.A.A., Mr. Clement C. Gatley, LL.D., D.C.L., M.A., Mr. W. Norman Bubb, F.S.A.A., Mr. W. Holman, F.S.A.A., Mr. R. Burrows, M.A., LL.M., LL.D., Mr. W. H. Coates, LL.B., B.Sc., Ph.D., Mr. E. T. Allen, M.A., Mr. T. C. Tobias, B.A., B.L., and Mr. C. B. Milne, M.A., LL.B.

The Society of Incorporated Accountants and Auditors.

44th ANNUAL GENERAL MEETING.

THE 44th Annual General Meeting of the Society was held at Incorporated Accountants' Hall, London, W.C.2, on Tuesday, May 14th, 1929.

Mr. Thomas Keens, President of the Society, occupied the chair, and was supported by the following members:—Mr. Richard Wilson Bartlett, J.P. (Newport, Mon.), Mr. Wm. Bateson (Blackpool), Mr. Henry J. Burgess (London), Mr. Duncan E. Campbell (Wolverhampton), Mr. Arthur Collins (Liverpool and London), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Ernest T. Kerr (Birmingham), Sir James Martin, J.P. (London), Mr. Henry Morgan (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. William Paynter (London), Mr. Arthur E. Piggott (Manchester), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. Ralph T. Warwick (West Hartlepool and London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. Arthur E. Woodington (London), Mr. C. E. L. Bird (London), Mr. E. G. Bourne (London), Mr. J. D. Brown (London), Mr. R. Caws (London), Mr. T. J. Chalkley (London), Mr. H. E. Chapman (London), Mr. W. S. Clark (London), Miss G. C. Cox (Otford), Mr. J. H. Croydon (London), Mr. H. G. Drake (Grays), Mr. H. Folliott (London), Mr. O. Greenwood (London), Mr. J. H. Grove (London), Mr. M. H. Groves (West Hartlepool), Mr. F. J. Harper (Shrewsbury), Mr. G. P. Harrison (London), Mr. A. E. Hunt (Coventry), Mr. D. H. Jeboult (London), Mr. A. T. Keens (London), Mr. H. C. King (Eastbourne), Mr. H. Langley (London), Mr. L. A. Mann (London), Mr. G. E. Martin (London), Mr. S. G. Morris (London), Mr. H. Piggott (Manchester), Mr. L. H. F. Pinhorn (London), Mr. G. R. Pridie (London), Mr. G. F. Richardson (London), Mr. F. A. Roberts (London), Mr. C. Russell (London), Mr. H. C. Samuel (London), Mr. V. W. Sayes (London), Mr. A. J. Smith (London), Mr. T. H. Soul (London), Mr. R. H. Stafford (London), Mr. A. H. Stevens (London), Mr. W. Thompson (London), Mr. T. P. Tilby (London), Mr. G. W. Vinson (London), Mr. E. J. Waldron (Southampton), Mr. P. H. Walker (Cardiff), Mr. W. H. Ward (London), Mr. A. W. Welton (London), Mr. Richard A. Witty (London), Mr. T. Woolley (Southampton), Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary), Mr. Alexander A. Garrett, B.Sc., M.A., F.C.I.S. (Secretary).

The PRESIDENT, who was received with applause, said: Ladies and gentlemen, I call upon the Secretary to read the notice convening the meeting.

The SECRETARY (Mr. Alexander A. Garrett, M.A., B.Sc., F.C.I.S.) read the notice.

The PRESIDENT: The Secretary will now read the minutes of the 43rd annual general meeting held on May 22nd, 1928, and of the extraordinary general meetings held on June 25th, 1928, and July 19th, 1928.

The SECRETARY accordingly read the minutes, which were approved and signed as correct.

The PRESIDENT: The Secretary will now read the report of the auditors on the Society's accounts for 1928.

The SECRETARY read the report of the auditors.

The PRESIDENT: I now move: "That the Report of the Council and the Accounts for the year 1928, which have been printed and circulated amongst the members, be taken as read." Will someone kindly second that?

Mr. C. HEWETSON NELSON: I beg to second the resolution.

The motion was agreed to.

President's Address.

Ladies and gentlemen: I have now to propose the adoption of the forty-fourth Annual Report and Accounts of the Society. The past twelve months have been characterised by remarkable activity in the internal development of the Society's organisation, in professional policy and in Parliamentary matters. Year by year each President has been able to lay before the members a record of accomplishment and of future plans—evidence of a sustained and virile life in the upward progress of the Society. I may claim on behalf of the Council that the past year has been particularly fruitful in many directions.

INCORPORATED ACCOUNTANTS' HALL.

For the first time the general meeting is being held in our own home—(applause)—and I have particular pleasure in welcoming the members to Incorporated Accountants' Hall. The purchase, restoration and fitting of the Hall, and its formal opening by H.R.H. The Duke of York, constitute a chapter in the Society's history of which we may well be proud. We shall long remember the presence and kindness of His Royal Highness on that occasion, and highly value his interest and good wishes for the future welfare of the Society. The event is commemorated by a Stone in the Vestibule. It is a source of business and sentimental satisfaction that we occupy this Hall, free of any outside obligation. This has been accomplished through the care of the Council in the past in building up a substantial reserve, and by the co-operation of the members in enthusiastically subscribing for the Debenture Issue of £70,000. In these ways the Society has been furnished with a dignified home, well suited for our practical purposes and exhibiting a high degree of art and craftsmanship. During the short time we have occupied this Hall we have received gratifying evidence of the pleasure of the members at home and in the British Dominions at the policy of the Council in securing the Hall. There has also been a wide manifestation of interest outside the circle

of the Society. The Hall and its characteristics have formed the subject of articles and illustrations in the Press throughout the country, in the Dominions and in the United States. A number of societies interested in the preservation of beautiful buildings and landmarks in and around London have visited the Hall, and we have been very glad to welcome them. The demolition of adjoining buildings would appear to indicate that, but for the purchase of the freehold by the Society, the Hall might have disappeared like so many other London landmarks. Accountancy is popularly regarded as a prosaic profession, but I delight to think that the imagination and endeavour of the whole Society has enabled us, by the preservation of this Hall, to contribute something to the amenities and beauty of London. (Hear, hear.)

REGISTRATION FOR THE ACCOUNTANCY PROFESSION.

I have now to deal with important matters of policy concerning the profession. From its earliest days the professional policy of this Society has been to secure statutory registration for the profession of accountancy. Every favourable opportunity has been taken to give effect to this policy. In 1911 a Bill, agreed between the Institute of Chartered Accountants and the Society, was introduced into the House of Lords and was supported by the Lord Chancellor, the Lord Chief Justice of that day, and a number of Peers identified with commercial and financial interests. It received the benevolent interest of the Board of Trade, and it was only by an accident of procedure in the House of Commons that the Bill was not sent to Committee to be threshed out, and it had to be dropped. In the decade since the close of the Great War a number of conferences on the matter have taken place, but the ways and means of promoting such a measure were not available. In spite of this position, numbers of members, particularly in the provinces, have kept this subject constantly before the Council, and the need for registration from the public point of view remains. The constant growth of various bodies of accountants, with varying standards of qualification, and many of them frankly recruited by circularising in all likely and unlikely quarters, cannot be viewed with complacency. Outside the bodies of Chartered and Incorporated Accountants there are no less than ten bodies claiming to be part of the accountancy profession. Side by side with this multiplicity of accountancy bodies is the unwholesome temptation to all sorts of persons to commence practice as accountants, resorting to methods flagrantly unprofessional. During my period of office as President I have travelled all round the country, and the information given me wherever I went was nearly always the same, if only varying in degree. Where is this going to stop? Is this state of affairs in the public interest?

Let me say at once that I do not approach this subject from the narrow standpoint of pure professional interest. Most of us are quite content to rely upon the established position and reputation of Incorporated Accountants. Moreover, the establishment of any Register must mean a considerable sacrifice in our traditional conception of what is a proper standard of professional qualification—especially when we realise that the Society's present standard represents the accumulated work of forty-four years. I suggest we ought not to consider merely the number, or, perhaps, the qualifications of those who may become entitled to be registered in the first instance. Rather we must reflect upon the benefit to the public and the profession in future years which will be brought about by a minimum standard of qualification and a reasonable measure of control.

Perhaps I should indicate in general terms what is meant by Registration for the Accountancy Profession. By Statute there will be set up a Register which shall contain the names of all persons entitled to carry on public practice as accountants in this country. A person not on the Register will not be entitled to practise, and if he attempts to do so he will be subject to penalties. An original Register will be constituted, and application to be placed thereon will be made to the competent authority by those who claim at a given date to be in actual public practice. Very properly, of course, Parliament would safeguard the existing rights of individuals, but in my view the competent authority must be given wide powers to investigate whether applications for registration are justified and to decide whether the evidence in each case is sufficient to support the applicant's claim to be in *bona fide* public practice. There should be no place on the Register for a mushroom growth of new public accountants, cultivated by the prospects of a Registration Bill. (Hear, hear.) After the first Register has been constituted, admission thereto will only be open to those holding prescribed professional qualifications, to be defined in the Act. All persons on the Register will be subject to disciplinary control. Such a measure would stop the free-lance accountants and would prevent the creation of any further so-called accountancy bodies. What, however, is really important is that the Register would ensure to the public a minimum standard of accountancy service and avoid the bewilderment of the public which undoubtedly exists to-day. I say without hesitation, the profession of accountancy is entitled to ask for the same kind of statutory protection as was given to medicine and the law and, most recently, to the dentists. (Hear, hear.) Could we possibly imagine medicine or law being practised in any country without statutory enactment?

These being the facts—facts which have been considered time and again—the Council of the Society at its last Council meeting unanimously re-affirmed its belief that registration for the profession of accountancy was desirable in the interest of the public and the profession, and considered that a Registration Bill should be promoted in Parliament. The matter was referred to the Parliamentary Committee of the Society for consideration forthwith. Of course, there will be difficulties in dealing with the details of the proposed measure, but the Council have determined that, so far as they are concerned, a

serious attempt shall be made to get a Registration Bill passed by Parliament at the earliest date. I know that this decision will meet with the whole-hearted acceptance of the members, and that the Council can rely on the support of all Incorporated Accountants in the task to which they have pledged themselves.

PARLIAMENTARY MATTERS.

During the sessions of Parliament in 1928 and 1929 a number of Private Bills were introduced containing clauses relating to the appointment of auditors of municipal corporations and of public utility companies. Petitions were lodged against the Bills of certain municipal corporations in respect of the qualifications prescribed in these clauses. The Petitions were heard in Committees of Parliament. In one case the evidence submitted by a body of accountants in support of their Petition was such that the Committee ordered them to pay nine-tenths of the costs thereby incurred by the promoters. In another case no evidence whatever was brought forward in support of the petitioners' claims; the same petitioners in a further Bill withdrew their Petition on the day before the date of the hearing, after the Petition had been lodged in Parliament several weeks. The result of all these proceedings has been that the clauses relating to the appointment of professional auditors of corporations continue to be limited to Chartered and Incorporated Accountants, and no change has been made by any Committee in the precedent which is now contained in 72 Municipal Corporation Acts, the first of which dates from 1890. This is very satisfactory.

The last petition heard was that against the Chester Corporation Bill, which contained a clause in the usual form. The Chairman of the Local Legislation Committee in giving his decision made a statement of far reaching importance. He said: "The decision of the Committee is that Clause 300 stand part of the Bill. I am desired to say that in the opinion of the Committee sound and reliable accounting is of paramount importance to industry, commerce and the investing public, and with a view to establishing an efficient accounting public service we consider the time is opportune—in fact we think it has arrived—for establishing a register of properly qualified persons on the lines of the law and the medical service, and we suggest to the accounting world that they should seriously consider the matter of the register, the training and the qualifications, as the Committee feel that all qualified persons should have the opportunity of giving public service. We trust that our observations will be considered seriously because, although nobody can tell who will be on this Committee in the next Parliament, those who are on the Committee will have some difficulty with a clause like this unless something is done by the accounting world, and we therefore ask the accounting world to take note of our observations." Thus the policy of the Society pursued throughout its history has been declared by an important Committee of Parliament to be necessary in the public interest. This decision fortifies the Council in their pre-determined decision to pursue a Registration Bill.

BRANCHES AND DISTRICT SOCIETIES SCHEME.

You will recollect that last year I outlined a scheme for dividing the country into areas, each of which would come within the sphere of a Branch or District Society, and, to permit of the adoption of the proposals, the members sanctioned certain necessary alterations to the Articles of the Society. The development of this scheme will go forward at an early date, and it is proposed to hold a further conference of Representatives of Branches and District Societies in July to discuss questions of organisation and the delimitation of areas. In the meantime I am glad to say that movements have already been started in parts of the country to inaugurate new District Societies, where the districts are not already or sufficiently covered by existing organisations.

The Council are gratified at the substantial support given all over the country by Branches and District Societies, and by individual members to the proposals and to the necessary alterations involved. I am satisfied that the application of this scheme will not only extend our professional organisation, but will provide increased facilities for professional education and discussion. I am glad to report that we have received satisfactory reports from various parts of the country with regard to the existing educational work carried out by the Branches and District Societies. A new District Society has been constituted in Leicester, a Students' Section in Wolverhampton, another District Society is now in course of formation in Hull, and, I may add, one more is contemplated in Norwich.

This scheme is not merely one of finance and organisation; it is simply the means by which we seek to attain our purpose. Our desire is to give every member of the Society an opportunity to partake personally in and to contribute to its corporate life, and to increase the facilities which the Society can afford to its members. I believe the scheme will call forth greater effort on the part of members in London, in the provinces, in Scotland and Ireland, all of whom have given their hearty support to the proposals. In my experience there is no better stimulus than to leave for a time the responsibilities of our professional work and to cultivate the friendship of our professional brethren and to exchange ideas with them. The essence of our profession is to give the best service to the public and to maintain a virile professional life in our own Society.

THE SOCIETY OVERSEAS.

During the past year the Council have had the opportunity of conferring in London with Sir Harry Hands, the chairman of the Society's Committee in Cape Town, and with Mr. Charles Hewitt, the Chairman of the Committee in Johannesburg, upon the Society's business in South Africa. The President of the Society's Division in Victoria is now in London, and has advised the Council with regard to the

profession in the Commonwealth, particularly having regard to the formation of the Institute of Chartered Accountants in Australia. Mr. A. F. C. Ross, of Montreal, who has been the Hon. Secretary of the Society's Canadian Committee for many years, also called upon us in London last year. The Council is indebted to members in the Far East, in South America and the United States, for having corresponded with the Council in regard to matters affecting the interests of Incorporated Accountants. The wide field of activity covered by the Society all over the world places upon the Council considerable responsibility, and it is fitting that I should express our thanks to our Committees in the British Dominions, and to individual members overseas for their work and vigilance on behalf of the Society. (Hear, hear.)

PROTECTION OF THE DESIGNATION "INCORPORATED ACCOUNTANT."

Recently the Council found it necessary to take proceedings in the High Court of Justice, England, against a person whose name had been removed from the Roll of Members some years ago, and who was holding himself out as an Incorporated Accountant. An injunction was granted to the Society by Mr. Justice Clauson perpetually restraining the defendant from using the title or designation "Incorporated Accountant," or any designation in such a way as to represent or lead to the belief that the defendant was a member of the Society of Incorporated Accountants. This is a satisfactory decision and follows the former decision obtained by the Society in the year 1907.

In South Africa an important question arose owing to members of a newly formed body attempting to describe themselves as "Incorporated Accountants (S.A.)." A number of members of our Society joined together in South Africa and made an application to the Supreme Court in Cape Town for an interdict against a person using this description. Yesterday a cable was received from Cape Town conveying the decision of the Court. The judgment is cabled in the following terms:—

> "In this case the facts are not substantially in dispute and the applicant Society has, in my opinion, upon the affidavits made an overwhelming case against the respondent. An interdict is sought in very wide terms. I think that it is sufficient to grant an order restraining the respondent from holding himself out or describing himself as being an Incorporated Accountant (South Africa) or Incorporated Accountant (S.A.), leaving it to the applicant to make further application should the respondent use the designation Incorporated Accountant either alone or in conjunction with any other word, words or any other name, title or description in relation to the respondent. An order will be made accordingly and respondent is directed to pay the costs of the application." (Applause.)

This is an important decision, and gives protection to the Society's designation in South Africa in the same way as it is protected in this country by a decision of the High Court. We are particularly indebted to the Chairman, Sir Harry Hands, and the Honorary Secretary, Mr. Cyril D. Gibson, of the Committee in Cape Town for their valuable work in securing this recognition of the rights of our members in South Africa. (Hear, hear.)

A casual vacancy having arisen through the resignation of the late Mr. Richard Leyshon, the Council have appointed thereto Mr. Richard Wilson Bartlett, J.P., of Newport (Mon.) and Cardiff. You will be asked later on to elect him formally as a member of the Council. Mr. Wilson Bartlett has already rendered service to the Society, particularly in South Wales, and the Council welcome him as a colleague. (Applause.)

It has been my practice during the period I have been privileged to occupy this position to deal with some matters of general public interest, which are related, though not exclusively, to the profession of accountancy. As this meeting is being held after the dissolution of Parliament, and we are therefore actually in the period of a General Election, I have thought it desirable to avoid any question which may be the subject of political controversy. (Hear, hear.)

This being my last Presidential Address, I take the opportunity of acknowledging the continuous and loyal support accorded to me during the past three years by the Council of the Society, the Past Presidents, the officers of the Branches and District Societies, our old friend of so many years, Sir James Martin—(applause)—and the Secretary and the Parliamentary Secretary. To the permanent officers of the Society I acknowledge the deepest obligations for assistance, willingly and ungrudgingly rendered during a strenuous period, when many new projects were in process of inauguration or development, involving a considerable addition to their ordinary labours, which are by no means light.

During these three years I have had the valuable assistance of my wife—(hear, hear)—and on behalf of her and myself I sincerely thank all the members of the Society for their invariable courtesy and consideration towards us. This has materially helped to make these three memorable and strenuous years a period which will always remain a happy memory. It is my conviction that the Society, established in its new home, seeking new opportunities for development, promoting the interests of its students and younger members, has before it a period of prosperity and progress, and an even wider field of public usefulness and service. (Applause.)

Mr. C. HEWETSON NELSON (Liverpool): Mr. President, ladies and gentlemen; I beg formally to second the resolution for the adoption of the annual report and balance-sheet.

Discussion.

Mr. ROBY PRIDIE (London): Mr. President, ladies and gentlemen; I was honoured just now by receiving an invitation to open the discussion on your Address, and the honour is enhanced because of the fact that in the whole history of the Society this is the first occasion

upon which we members of the Incorporated Accountants' Society as a family meet in our own home. (Hear, hear.) The home itself—this Hall—is evidence of the extraordinary vitality of our Society. One is pleased to see in the revenue account that Parliamentary and legal expenses are increased; it is no doubt that as a result we have obtained the decisions of which we have heard this afternoon. I have much pleasure in supporting the motion for the adoption of the report and accounts. (Applause.)

Mr. RICHARD A. WITTY (London): Mr. President, ladies and gentlemen; I think it is obvious from the Address you have given us that this Society has made much history during the past twelve months—so much so that I rather thought that the members would have to be rationed in regard to the speeches they would desire to make. The very magnitude of the tasks which have been undertaken and accomplished since our last annual general meeting remind us of something which is not referred to in the annual report, and, for obvious reasons, it has not been referred to by the President, but I venture to think it is a proper subject for comment on the part of the general body of members on this particular occasion. I am thinking very specially of the enormous debt of gratitude which we members of the Society owe to our President, Mr. Thomas Keens. (Applause.) I must, of course, be careful and not steal the thunder of any gentlemen who may be going to deal with a later item on the agenda, but I do think that, as to-day is a very special day, I am justified in saying a word or two as one of the rank and file, because, although it is not necessary to compare or contrast the achievements of past Presidents of this Society, I think we are all agreed that no President has ever been asked to shoulder heavier responsibilities than those which have fallen to the lot of Mr. Thomas Keens. (Hear, hear.) The manner in which he has carried out the duties, the time he has given to the Society, and I might say the manner in which he has presided on ceremonial occasions, entitle him to take to himself in some measure the credit for that enhanced dignity of the Society which was such a favourite topic in the newspapers in February last. Of course, I am aware that when our President ceases to occupy the Presidential Chair it is our custom to award him our thanks, but I rather gathered that, under the circumstances in which we were meeting, our President might be asked to extend the period during which he was called upon to shoulder those responsibilities. These thoughts of the President, ladies and gentlemen, naturally lead our minds to our Vice-President. I do not think I am alone in saying that it is almost a tragedy that Mr. Henry Morgan, for reasons of health, has been compelled to retire before it has been possible for him to fill the highest office that this Society could offer him. (Hear, hear.) I am sure, Mr. President, that all the members will join with me, and also the members of the Council, in expressing to Mr. Morgan our sincere hope that this enforced period of rest may lead to such a restoration of health that we may yet look forward to seeing him occupy the position. (Applause.) Now, probably, you may like me to say something about registration. I personally am in such absolute and complete agreement with the views you have expressed to-day, and more particularly, may I say, with the views you expressed in the speech you delivered to the South Wales and Monmouthshire Society, that I do not think it is necessary to add anything more on this occasion. May I, in conclusion, Mr. President, say that we appreciate very highly the services which have been rendered by the Council, and very particularly do we bear in mind the arduous labours of the Committee. There is just one question I would like to ask. Can you tell us if you have been able to accomplish anything definite yet towards the establishment of a London and Home Counties District Society?

Mr. PERCY WALKER (Cardiff): Mr. President, ladies and gentlemen; there is always something to be said about a swan song, but I think our President's swan song to-day contained gems which surpass even what he has given us in the past. I cannot say how happy we were in South Wales when, at our annual dinner a few weeks ago, the President made the statement that definite steps were going to be taken by this great Society of ours towards attaining something that we advocate very strongly down there—registration for the profession. We look at it, and are glad to see that the Council look at it, from the broader point of view, not of the benefit it would be to the individual practitioner to-day, but of the benefit it would be to business and professional men. We are delighted in Cardiff and South Wales to see the very definite steps that our Council are taking. Another point which gives us all, I think, the greatest pleasure is the scheme which has been adopted, and which appears to be in operation at last, for a closer organisation of the District Societies. I am even able to express satisfaction at the fact that the amount allocated to District Societies—which, I hope, is merely an allocation on account—is larger than it has been in the past. It now represents 7.9 per cent., and we are hoping that it will reach the 10 per cent. minimum of which we have spoken before. I should like to associate myself with everything that Mr. Witty has said, and in particular with his remarks about our Vice-President, Mr. Henry Morgan. We all hope that his illness merely means a temporary retirement from the activities of the Society, and we in South Wales look forward at an early date to having a Welshman in Mr. Henry Morgan as the President of this Society. May I say how happy we are in South Wales at the extraordinarily optimistic report that our President has put before us this year. (Applause.)

Miss G. C. COX (Croydon): Mr. President and gentlemen; I listened with very great interest to our President's Address. I know how necessary it is that we should have registration. I am also much delighted with this beautiful building, and I am very glad that we have been able to preserve one of the monuments of London. But one question came to my mind when I received the report. I noticed a little leaflet of the Incorporated Accountants' Golfing Society, and in that leaflet there was an announcement of a Sunday competition. Now, I am a younger member among you older folk, and I do not want to criticise, but I wish to put this to you: Having, as you say, very happily preserved one of the old monuments in London, is it quite in order for our honourable Society to be breaking down one of the fine old monuments of English life—the English Sunday? (Applause.) I should very much like, if our Council could see their way to do it, that they would try to make our public witness—whatever our private one is—for the old-fashioned keeping of the Sabbath. (Applause.)

Mr. HARRISON: Might I ask one question? I would like to know the earliest date when the Government were approached upon the question of registration for the accountancy profession?

Mr. G. F. RICHARDSON (London): Mr. President; I would like to endorse our lady member's remarks and congratulate her on the courage she has evinced in standing up among us men and saying what she has said. I would also like to congratulate our Council upon one

thing. They have given us this Hall, which is a landmark in London, the envy of some of our biggest and best architects, which was originally put up, I understand on good authority, at a cost of £250,000. You gentlemen on the Council have not only bought it, but renovated it at a total cost of something over £100,000. (Applause.) We are not only proud of our Hall, but we are proud of our Council for obtaining it. I think those who follow us will look upon this occasion as one of the landmarks in the history of the Society. (Applause.)

The PRESIDENT: In reply to Mr. Witty, it is anticipated that by the end of this year all the machinery for the District Societies' Scheme will be in active operation. The branches of the District Societies' Committee will meet in July. They would have met to-morrow but for the fact that we are in the middle of an Election period, and it has therefore been postponed. A sub-committee will shortly be at work on the delimitation of areas, which, of course, is the preliminary before any comprehensive district scheme can be set up. The General Election may not affect a number of people, but it affects some of us a great deal. I learn from Sir James Martin that the first move for registration was made in the early 'nineties. With regard to the Incorporated Accountants' Golf Club, that is not an official portion of the Society, and I therefore do not feel called upon to explain or defend its policy in having a week-end meeting. Of course, if it were an official part of the organisation of the Society I should have to do so. The only thing I do say is that I wish everybody who is a member of the Society would join that Club, because it has some extraordinarily pleasant meetings. (Hear, hear.)

The resolution was unanimously agreed to.

THE COUNCIL.

Mr. A. E. WOODINGTON (London): I have pleasure in moving: "That the following retiring members be re-elected members of the Council, in accordance with the provisions of Article 49:—London: Mr. Henry John Burgess, Sir James Martin, J.P., Mr. Henry Morgan; Provinces: Mr. William Claridge, M.A., J.P. (Bradford), Mr. Arthur Collins (Liverpool and London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. Arthur Edwin Piggott (Manchester), Mr. Arthur Herbert Walkey (Dublin), Mr. Ralph Thomas Warwick (West Hartlepool and London)." There is nothing I need say in recommending that these gentlemen be re-elected to your Council. We know that they have rendered great service in the past, and we look forward to even greater service from them in the future.

Mr. E. W. C. WHITTAKER (Southampton): Ladies and gentlemen; it is my privilege to be allowed to second this proposition. All of these gentlemen have loyally and faithfully served the Society for many years, and I think you are fortunate in getting such a list. I am quite sure you will unanimously reappoint them.

The resolution was carried unanimously.

Mr. ALAN STANDING (Liverpool): I have great pleasure in submitting to you the following resolution: "That the following member of the Society, who has been appointed to fill an occasional vacancy in accordance with Article 48, be elected a member of the Council:—Provinces: Mr. Richard Wilson Bartlett, J.P., Fellow in Public Practice, 24, Bridge Street, Newport (Mon.), and Cardiff."

Mr. A. E. PIGGOTT (Manchester): I have pleasure in seconding that resolution. Mr. Bartlett needs no words of recommendation. His work already in connection with the South Wales area is well known to us who have taken the trouble to watch the proceedings there, and we welcome Mr. Bartlett as a very desirable member of this Council.

The resolution was carried unanimously.

APPOINTMENT OF AUDITORS.

Mr. E. G. BOURNE (London): I have pleasure in moving: "That Mr. Robert Heatley, Incorporated Accountant, Manchester, be re-elected an auditor of the Society, at a remuneration of thirty guineas per annum, his travelling expenses to be paid in addition." Mr. Heatley has served us faithfully in the past, and I feel every confidence in moving his re-election.

Mr. J. H. GROVE (London): I have pleasure in seconding it.

The motion was carried unanimously.

Mr. L. A. MANN (London): I have much pleasure in moving: "That Mr. Arthur Henry Hughes (Hughes and Allen), Incorporated Accountant, London, be re-elected an auditor of the Society at a remuneration of thirty guineas per annum."

Mr. T. H. SOUL (London): I am pleased to second that

The resolution was carried unanimously.

THANKS TO PRESIDENT.

Sir JAMES MARTIN, who was received with applause, said: Fellow members: I rather thought that my old friend, Mr. Witty, who is generally accurate in everything he says or does, suggested that for some reason which I cannot fathom a vote of thanks might not be moved to the President at this meeting. But I can assure him that there is every reason why we should carry a vote of thanks to our President to-day. (Hear, hear.) I would say, before making a few observations with regard to our Society, that I should like to hearten up the President in the contest which he has got to face in the course of the next few days. (Applause.) You do not know—I do not think anybody knows—what my political opinions may be, and I do not know yours, yet we are all glad that the President of our Society is going to offer himself to the electors of one of the constituencies as a sound business man to represent them in Parliament. (Hear, hear.) Now as to our Society, I know something of what the duties of the President are, and how particularly exacting they happen to be to any man who holds the office for the time being, but this year of all years the duties have been more exacting than usual, and I think that the culmination of the service of Mr. Keens—although I am not going to give him all the credit, because credit is due to others—the culmination of the service of Mr. Keens to the Society is manifest to-day in the acquisition and occupation of this beautiful Hall. I am sure we shall always remember his Presidency in association with this building, and I should like to express to him the thanks of all of us for the manner in which he presided at the opening of this Hall, and to Mrs. Keens for the way in which she assisted him in the discharge of his duties. (Hear, hear.) You probably were more fortunate than myself, for I was not here, but I can tell you this, that although I was somewhat seriously ill at the time, the first literature that I read upon approaching convalescence was an account of the proceedings at the opening of Incorporated Accountants' Hall. (Applause.) Ladies and gentlemen, I have very sincere pleasure in moving that the hearty thanks of the members of this Society be given to Mr. Keens for all his services, and in passing that vote of thanks I am sure you would like to add your good wishes to him and to Mrs. Keens. (Renewed applause.)

Mr. HENRY MORGAN: Ladies and gentlemen; it gives me very great pleasure to second the vote of thanks which has been proposed by Sir James Martin. Occupying the position of Mr. Keens' Vice-President and being continually in association with him during the past twelve months, as well as previously, I am fully aware of the great services which have been rendered to this Society by our President. I very greatly appreciate all the work he has done and the sacrifices he has made, and I can say with confidence that there is no member of this Society who has for him a greater personal regard than I have myself. (Applause.)

The vote of thanks was carried by acclamation.

The PRESIDENT: Sir James Martin, Mr. Morgan, ladies and gentlemen; I think the most difficult job any man ever has is to make a suitable reply on such an occasion as this to such a resolution as this. I do not desire to claim for myself any particular credit in connection with this Hall. I am extremely proud that the acquisition and occupancy of it should have occurred during the period that I have occupied the office of President. That will always be a matter of pride to me. But for the acquisition the credit belongs to all my colleagues, and particularly to those who were members of the small sub-Committee that had the matter in hand, and I want to see that the lion's share of the credit goes to the man to whom it properly belongs, and that is my friend, Mr. Henry Morgan. (Applause.) He was the man who had the pluck to step into the breach at the appropriate moment, to put down his own money and come back to the Society and say, "If you don't want it and will not take it off my hands, I will buy it myself." That was really first-class pluck, and the credit should go to him. With regard to other things, I must confess that the last three years have been a particularly strenuous time. I am very glad indeed of the testimony which has been made to the value of the work which I have been able to do, being assisted, as I have been most admirably and most loyally, by my wife on the social side. I am very glad indeed to have your thanks for it. There is a tendency on these occasions to get unduly puffed up, and I remember that text which says: "Woe unto you when all men shall speak well of you." (Laughter.) I can assure you that, going from this Hall into another field one is not likely to be puffed up; one will get into a different atmosphere where the circumstances are entirely different. (Laughter.) Permit me to thank you, ladies and gentlemen, for your kind vote, which I most sincerely and highly appreciate. (Applause.)

The proceedings then terminated.

44th ANNUAL REPORT.

The Council have pleasure in submitting to the members their 44th Annual Report.

NEW MEMBERS ELECTED.

During the year 1928, the names of 275 new members were entered upon the Society's roll, and 61 Associates were advanced to the degree of Fellow. At the dates of election they were resident in the following countries:—

	Fellows.	Associates.	Total.
England and Wales	2	235	237
Scotland	—	7	7
Ireland	—	7	7
Australia	1	—	1
South Africa	—	16	16
India	—	2	2
Straits Settlements	—	1	1
West Africa	—	2	2
Canada	—	2	2
	—	—	—
Total	3	272	275

ASSOCIATES ADVANCED TO FELLOWS.

England and Wales	44
Scotland	3
Ireland	6
Australia	1
South Africa	4
India	1
South America	1
France	1
	—
Total	61

The figures for the past three years are as follows:—

	1926.	1927.	1928.
New Members elected ..	260	301	275
Associates elected Fellows ..	100	66	61

NUMBER OF MEMBERS ON THE ROLL AT CLOSE OF YEAR.

The total number of members on the roll on December 31st last was 5,051, and consisted of 1,397 Fellows, 3,650 Associates, and 4 Honorary Members. Two Fellows also held rank as Honorary Members.

OBITUARY.

The Council regret that the deaths of 41 members (24 Fellows and 17 Associates) were notified in 1928.

EXAMINATIONS.

The number of candidates at the Preliminary, Intermediate and Final Examinations was 1,752, of whom 922 passed and 830 failed.

The following are the comparative figures for the past three years:—

	Total.	Passed.	Failed.
1926	1,561	774	787
1927	1,699	948	751
1928	1,752	922	830

Prizes and Honours Certificates were awarded to the following candidates:—

FINAL EXAMINATION.

1st Certificates of Merit—

Chorley, William Reginald, A.S.A.A., Stoke-on-Trent (May, 1928) (*Prize*).

Lloyd, Edward John Denis, A.S.A.A., London (November, 1928) (*Prize*).

2nd Certificates of Merit—

Bayley, Christopher Thomas, A.S.A.A., London (May, 1928) (*Prize*).

Hall, Leslie, Luton (November, 1928) (*Prize*).

3rd Certificates of Merit—

Thomas, William, Newport (Mon.) (May, 1928) (*Prize*).

Smith, Frederick Joseph, Nottingham (November, 1928) (*Prize*).

4th Certificates of Merit—

Dugdale, George, A.S.A.A., Norwich (May, 1928).

Scott, Percival Guy, A.S.A.A., Middlesbrough (November, 1928).

5th Certificates of Merit—

Stone, Edward, London (May, 1928).

Wood, Archibald, A.S.A.A., Burslem (November, 1928).

6th Certificate of Merit—

Mark, John Bell, A.S.A.A., Carlisle (May, 1928).

INTERMEDIATE EXAMINATION.

1st Place Certificates—

Jones, Charles Edward Irvine, London (May, 1928). (Disqualified for Prize by age limit.)

Wilson, William Stanley, Bradford (November, 1928) (*Prize*).

2nd Place Certificates—
Spoors, John Elliott, Newcastle-on-Tyne (May, 1928) (*Prize*).
O'Brien, Thomas Henry, Liverpool (November, 1928) (*Prize*).

3rd Place Certificates—
Cowan, Ian Malcolm, Scarborough (May, 1928) (*Prize*).
Lisney, John Washington, London (November, 1928).
(Disqualified for Prize by age limit.)

4th Place Certificates—
Rosenbaum, Daniel, London (May, 1928).
Holland, Frank, London (November, 1928).

5th Place Certificates—
Tinto, Thomas, Glasgow (May, 1928).
Blackburn, Albert, Newport (Mon.) (November, 1928).

6th Place Certificates—
Slaymaker, Dorothy May, Cardiff (May, 1928).
Hayward, Dennis, London (November, 1928).

7th Place Certificates—
Jones, William Tudor, Newport (Mon.) (May, 1928).
Donald, Arthur James, London (November, 1928).

Preliminary Examination.

1st Place Certificates—
Casbourn, Frederick Henry Charles, Plymouth (May, 1928).
(Disqualified for Prize by age limit.)
Kightley, Leonard, Luton (November, 1928) (*Prize*).

2nd Place Certificate—
Richardson, John Nicol, Sunderland (November, 1928).

Gold and Silver Medals.

The Council have awarded the Society's Medals for 1928 as follows :—

Gold Medal to Mr. William Reginald Chorley, Clerk to Mr. J. T. Sandland (F. Geen & Co.), Stoke-on-Trent.

Silver Medal to Mr. Christopher Thomas Bayley, Clerk to Messrs. Thorne, Lancaster, Fairey & Reacher, London.

Incorporated Accountants' Hall.

The Society has purchased, as the permanent home of the Society, the freehold property on the Victoria Embankment, formerly known as Astor House. An issue to members of £70,000 5 per cent. debentures to assist in financing the purchase was substantially over-subscribed. The Society moved to its new headquarters, now known as Incorporated Accountants' Hall, on January 23rd, 1929, and the Hall was opened by H.R.H. the Duke of York on February 19th, 1929.

Bills in Parliament.

During the year attempts were made in Parliamentian the Gloucester Corporation Bill and the Stoke-on-Trent Bill to vary the usual audit clause, which limits the professional audit to Chartered or Incorporated Accountants. The attempts were not successful, and this form of audit clause is now embodied in 72 Municipal Corporation Acts.

Companies Act, 1928.

The Bill to amend the Companies Act introduced by the Government in 1927 was passed by Parliament. Its provisions substantially follow the recommendations of the Company Law Amendment Committee appointed by the Board of Trade. The majority of the sections do not become operative until the Companies Consolidation Bill now before Parliament becomes law.

Branches and District Societies Scheme.

The scheme for the development and extension of the work of the Branches and District Societies, involving, *inter alia*, an increase in the annual subscriptions, was adopted by the members.

Extraordinary general meetings of the Society were held in June and July last, when certain resolutions were passed for the alteration of the Articles of the Society to give effect to the Branches and District Societies scheme.

Branches and District Societies.

The President, Vice-President and other members of the Council, accompanied by the officers of the Society, have paid visits to the Branches and District Societies, by whom they have been entertained.

The Council have also conferred with representatives of the Branches and District Societies at a meeting held in London.

Codification of Income Tax Law.

At the request of a Special Committee appointed by the Chancellor of the Exchequer, the Council of the Society submitted a memorandum making certain recommendations with regard to the codification of Income Tax Law.

South Africa.

Following recommendations received from South Africa, the Council have approved an amended form of organisation for the conduct of the Society's business in the Union. There are now three Regional Committees : one in Cape Town (having jurisdiction in the Cape Province and the Orange Free State), one in Johannesburg (having jurisdiction in the Transvaal and Rhodesia), and one in Durban (having jurisdiction in Natal). An Advisory Committee has also been appointed, consisting of the Chairmen of the three Regional Committees to meet from time to time and to advise the Council upon questions of policy in South Africa.

The Council received a visit in June from Sir Harry Hands, K.B.E., Chairman of the Society's Committee in Cape Town, and in December from Mr. Charles Hewitt, Chairman of the Committee in Johannesburg, and held conferences with them.

Coat of Arms.

The College of Heralds have made a grant of Arms to the Society bearing the motto "Fides atque Integritas."

International Congress on Accounting, New York, 1929.

An invitation has been accepted by the Council for the Society to be represented at the International Congress on Accounting to be held in New York in September, 1929, and a delegation has been appointed to represent Incorporated Accountants.

President and Vice-President.

Mr. Thomas Keens, of Luton, Bedford and London, and Mr. Henry Morgan, of London, were unanimously re-elected to the respective offices of President and Vice-President at a meeting of the Council held in May, 1928.

Examiners.

The Council appointed Mr. Walter Holman (Fellow), London, an Intermediate Examiner in Accountancy, to

fill a vacancy caused by the resignation of Mr. Robert Ashworth (Fellow), London.

COUNCIL.

At the last Ordinary General Meeting, Mr. William Allison Davies, O.B.E., Borough Treasurer of Preston, was elected a member of the Council in place of Mr. F. Ogden Whiteley, O.B.E., Fellow, Bradford, who had resigned following medical advice.

The Council also received the resignation of Mr. Richard Leyshon, Fellow, Cardiff, whose death, subsequent to his retirement, the Council regret to record.

In accordance with the provisions of Article 48 the Council have appointed Mr. Richard Wilson Bartlett, J.P., Fellow in Public Practice, Newport (Mon.) and Cardiff, to a seat on the Council vacant by the resignation of the late Mr. Richard Leyshon. Mr. Wilson Bartlett submits himself for re-election at the forthcoming Ordinary General Meeting as a provincial member of the Council.

The following members of the Council retire under Article 49, and, being eligible, offer themselves for re-election :—

London.

Sir James Martin, J.P.
Mr. Henry Morgan.
Mr. Henry John Burgess.

Provinces.

Mr. Arthur Collins, Liverpool and London.
Mr. C. Hewetson Nelson, J.P., Liverpool.
Mr. Arthur Edwin Piggott, Manchester.
Mr. Arthur Herbert Walkey, Dublin.
Mr. Ralph Thomas Warwick, West Hartlepool and London.
Mr. William Claridge, M.A., J.P., Bradford.

FINANCE AND ACCOUNTS.

The accounts for 1928, duly audited, annexed to this report, show a surplus of £3,775. The expenses incidental to the removal to, and the opening of, Incorporated Accountants' Hall have been written off the accumulated balance on General Revenue Account. The Council realised certain of the Society's investments forming part of the Building Fund. The balance-sheet contains an item for the issue of debentures in connection with the purchase of Incorporated Accountants' Hall, which, including the cost of restoration and fitting, at present stands in the balance-sheet at £101,020 9s. 8d.

THOMAS KEENS,
President.

HENRY MORGAN,
Vice-President.

ALEXANDER A. GARRETT,
Secretary,
Incorporated Accountants' Hall,
London, W.C.2.

April 10th, 1929.

Dr. REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31ST, 1928. Cr.

EXPENDITURE.	£	s.	d.
To Travelling Expenses	875	2	3
,, Rent	886	2	0
,, Housekeeper, Lighting, Telephone, &c.	307	16	10
,, Salaries	4,518	14	10
,, Stationery and Printing, including Year Book	2,588	13	11
,, Postages and Telegrams	411	12	10
,, Miscellaneous Expenses	602	16	11
,, Legal and Parliamentary Expenses	929	6	2
,, Advertisements	655	18	10
,, Expenses of Examinations	3,437	13	3
,, Examination Prizes and Medals	80	9	5
,, Grants to Branches, District and Students' Societies	876	12	0
,, Auditors' Fees and Expenses	70	5	7
,, Subscriptions and Contributions to Chambers of Commerce	50	8	0
,, Debenture Interest (Gross)	795	3	0
,, Corporation Duty	77	14	5
,, Additions to Library	154	2	4
,, Balance, being surplus of Income over Expenditure for the year	3,775	0	0
	£21,093	12	7

INCOME.			£	s.	d.
By Subscriptions			11,026	6	3
,, Entrance Fees—					
64 Fellows	£367	10 0			
272 Associates	2,856	0 0			
			3,223	10	0
,, Examination Fees			4,875	13	6
,, Dividends on Investments (*less* Tax)			1,299	1	5
,, Sundry Fees, &c.			322	17	7
,, Hire of Rooms			96	4	0
,, Contribution from *Incorporated Accountants' Journal* towards Office Expenses			250	0	0
			£21,093	12	7

BALANCE SHEET, DECEMBER 31ST, 1928.

LIABILITIES.	£ s. d.	£ s. d.
To DEBENTURES (5 per cent.)	70,000 0 0	
Less Instalments payable in 1929	5,202 10 0	64,797 10 0
„ SUNDRY CREDITORS—		
On Revenue Account	4,821 12 2	
On Capital Account	7,174 10 8	11,996 2 10
„ *Incorporated Accountants' Journal* (Loan)		1,000 0 0
„ Midland Bank Overdraft		4,031 12 5
„ Subscriptions for 1929 (paid in advance)		170 2 0
„ Examination Fees (paid in advance)		218 8 0
„ Building Fund as per last Balance Sheet		19,000 0 0
„ REVENUE ACCOUNT—		
Balance at December 31st, 1927	15,430 5 6	
Add Surplus for 1928	3,775 0 0	
	19,205 5 6	
Less Loss on Sale of Investments £99 5 8		
Less Expenses incidental to Removal to and Opening of Incorporated Accountants' Hall	1,157 13 5	
	1,256 19 1	
		17,948 6 5
		£119,162 1 8

ASSETS.	£ s. d.	£ s. d.
By Incorporated Accountants' Hall, Purchase Price and Cost of Restoration—Expenditure to date		101,020 9
„ Incorporated Accountants' Hall, Furnishing—Expenditure to date		2,197 8 0
„ Library		300 0 0
„ INVESTMENTS AT COST—		
£6,000 0s. 0d. 4½% Conversion Stock, 1940-44	5,461 13 3	
£3,300 0s. 0d. 4% Funding Stock, 1960-90	2,786 16 6	
£1,129 7s. 2d. 3½% India Stock	1,272 4 3	
£550 0s. 0d. 4% Union of South Africa Consolidated Stock, 1943-63	547 7 0	
£550 0s. 0d. 3½% New South Wales Stock, 1930-50	535 13 3	
£500 0s. 0d. 3½% Queensland Stock, 1950-70	478 3 6	
£250 0s. 0d. 3% Local Loans Stock	248 16 0	
£600 0s. 0d. 3% London County Consolidated Stock	517 12 0	
£200 0s. 0d. 3% Nottingham Corporation Stock, 1920-60	192 0 0	
£500 0s. 0d. 3% Leeds Corporation Stock	463 7 0	
£900 0s. 0d. 4% L. & N.E.Ry. Deb. Stock	1,101 11 6	
£500 0s. 0d. 4% L. & N.E.Ry. Second Pref. Stock	637 2 0	
£150 0s. 0d. 5% G. W. Ry. Guar. Stock	248 19 0	
(Market value of Investments, 31/12/28, £13,094 16s. 6d.)		14,494 5 3
„ Sundry Debtors and Dividends accrued		740 18 6
„ CASH AT BANK OF ENGLAND— On Current Account		409 0 3
		£119,162 1 8

THOMAS KEENS, *President.*

C. HEWETSON NELSON,
Chairman of Finance Committee.

April 10th, 1929.

AUDITORS' REPORT TO THE MEMBERS.

We beg to report that we have examined the foregoing Accounts, together with the books and vouchers of the Society, and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society. We have also verified the Investments and Cash Balances.

ARTHUR H. HUGHES,
ROBERT HEATLEY, } *Auditors.*
Incorporated Accountants.

LONDON, *April 30th, 1929.*

Insurance by Groups: Life; Disablement; Pensions.

A LECTURE delivered before a Joint Meeting of the Insurance Institute of London and the Incorporated Accountants' Students' Society of London by

Mr. H. E. RAYNES, F.I.A., F.C.I.I.

The chair was occupied by Mr. W. NORMAN BUBB, Incorporated Accountant.

Mr. RAYNES said: There are certain principles which are common to all classes of insurance business. Some of them have their origin in the nature of the business, others, while characteristic of the business, have a wider and legal application. As an instance of the first one might mention the necessity for classification of risks according to the degree of hazard, and as an illustration of the second there is the great principle of indemnity which has been worked out by generations of legal minds to such niceties of detail. Now, while that institution of insurance lasts, which some call a profession and I prefer to style by its right name—one quite as honourable—a business, I doubt whether either of these principles can be abandoned with any degree of safety. Their interpretation, and their application, however, must be made in the light of the changing set of circumstances inevitable with a society which is in an evolutionary condition. Our friends in the Fire Offices have for some time been exercised in their minds as to certain practices which have recently arisen and seem not to be consonant with the true interpretation of the principle of indemnity, and we now in the Life Offices are considering the problem of Group Insurance which, in its present application to life, disablement and pension insurance, seems a departure from our past interpretation of a true classification of risks.

WHAT GROUP INSURANCE MEANS.

Before, however, we can reconcile Group Insurance with our preconceived notions of insurance principles it is necessary to consider first what this Group Insurance is. Its country of origin is America—that land of big business. It made its appearance there before the war, but after the war its progress in the period of prosperity enjoyed by the United States has been absolutely astonishing. Figures as to the magnitude of the sums assured under Group Policies issued each year flow glibly from the tongues of our American cousins in their missionary efforts here, but those figures are too astronomical for any real comprehension by the normal actuary on this side who deals only in the units of millions. None the less one may safely use the word "astonishing."

In Group Insurance the individual has in a sense been abandoned and the group has been substituted. The group is insured under one policy at so much per head, or so much per cent. per head. Life Assurance of £100 may be provided to each member, and the men aged 70 pays the same as the man aged 20, or if the employer pays the cost without contribution from the employee he pays the same in respect of each of his employees. The policy is a year to year contract, although the insurance company may guarantee to renew it on a certain basis of rates for a number of years. It is the health of the group which is the concern of the insurance company: the individual has ceased to count, he is now only a cell in a larger organism which itself has symptoms and characteristics towards which it is true that all cells contribute but no single cell controls. While the whole body may be healthy and sound, individual cells may be diseased or even moribund.

I have mentioned the words "employer" and "employee," which indicates the normal kind of group covered by these policies. The cover under each policy extends to the employees of a single employer: the latter may be an individual, a firm or an incorporated company. Other groups *may* be granted cover under such a policy, but it is rarely that a sufficiently defined group, which is not selected for the purpose of obtaining the insurance, is obtainable. Any group formed for the definite purpose of gaining the insurance, owing to its self-selective character, would not be a suitable one for group insurance.

You will naturally ask how the insurance company assess the premium for such a policy. Are all groups to be taken at the same rate so that the aggregate premium is directly proportional to the number of members or the total sums assured? Now, although when we are dealing with large groups, the variation in the rate of premium is not so great as one would expect, the cost, and therefore the rate charged, does vary between different groups, and any insurance company which charged a flat rate for all groups would soon discover that an adverse selection against them is as easily exercised by groups as by individuals. While there may be other factors which bear upon the claim ratio which would be experienced by a group for life assurance, only two (or perhaps three in some cases) are isolated as the basis of assessing the rate. The first is the age distribution of the members and the second is the character of employment followed. A third may sometimes be considered for life assurance, *i.e.*, the composition as to sex. For ascertaining the premium according to age distribution we require a list of the members according to age. We then multiply the premium for one year term insurance for each age by the aggregate sums to be insured at that age and sum the results for the whole group. This total premium, when divided by the group sum assured, gives the rate which may then be weighted for a particular industry or employment if there is more than normal hazard therein. A rate so ascertained is fairly constant over a number of years since the age distribution, as with that of the general population, does not vary much. Adjustments are made in the premium for entrants to the group and exits from it during the year on the basis of this rate of premium irrespective of the actual ages of the members coming in or going out of the group.

When one is dealing with a staff of numerous grades or salaries a uniform sum assured is not desirable—some graduated scheme of benefits is required—sub-groups are therefore formed, the cost of each being separately ascertained. As an example of graduated sums assured, we may have members with salaries

not exceeding	£150	p.a. being covered for	£100
,,	£250	,,	£200
,,	£350	,,	£300
,,	£450	,,	£400

and so on.

In accepting group life assurance it is not customary to ask for any evidence of health of the individual members. All who are actively employed at the date of the contract are eligible, and any away on sick leave are eligible when they have completed a probationary period after their return: but certain conditions are imposed by offices which grant group life assurance. A group is only treated as such if not less than, say, 75 per cent. of those eligible join it, with an absolute minimum of 50 members. If these conditions cannot be fulfilled it is only possible to grant group contracts subject to individual evidence of health.

THE POINT OF VIEW OF THE MEMBER.

So far we have looked at the subject rather from the office point of view. It is necessary to consider the member also. His benefit is receivable only while he remains a member of the group, since it arises in virtue of that membership. What is the position if he is forced to leave the group? Some protection is furnished under the usual group policy for this, for in the event of his leaving before attainment of age 60 he has the right to effect a whole life or endowment assurance without any evidence of health at the tabular rates for his attained age, for a sum assured not in excess of the amount for which his life has hitherto been assured.

It is customary now to provide under the ordinary group life assurance policy the payment of the full sum assured in the event of total and permanent disablement before attaining age 60, either in one lump sum or by monthly instalments over two to three years. It is difficult to over-estimate the value of this benefit. In America I believe about 10 per cent. of the claims arise in virtue of this disablement cover. It is a normal outcome of life assurance, for total and permanent disablement of the breadwinner is as disastrous as death itself. Group disablement insurance may be granted as a separate item where disability is something less than permanent. It may be as an addition to the benefits granted under the National Health Scheme or the application to a group of employees of the benefits secured under the usual annual contract sickness and accident policy. From the insurance offices point of view the business is not very attractive, for the satisfactory settlement of claims is difficult and expensive, and it is possible that there is not a very large future for group disablement insurance other than that of the total and permanent character included under the ordinary Group Life Insurance policy.

PENSIONS.

Pensions on the group basis are an even later introduction than group life assurance. Much the same principle is involved. Just as an employer may purchase jointly with his employees life assurance of £100 for each one of the latter for a period of one year, so by a joint contribution can be purchased a pension of say, £1 commencing at age 65 for each of the staff who complete the current year of service. In the one case the unit is £100 sum assured at death, and in the other a pension of £1 for a year's service. If such a pension were purchased by an employee with his own money and without assistance from the employer the cost would increase from year to year as he neared his pension age, but by contributing as a member of a group he may pay a fixed sum from year to year—perhaps at the rate of 1s. per week—while the employer pays the balance of the cost for the whole group of employees. The total cost per member per annum to the employer depends upon the age distribution of the group, just as it does for group life assurance, but over fairly large groups the cost varies but slightly from year to year. This is easily seen by comparing at various ages the cost of the benefit of £100 life assurance for one year with the cost of £1 per annum pension from age 65. In the table below the figures are given at quinquennial ages for (*a*) one year term assurance of £100 (*b*) cost of pension of £1 per annum from age 65, assuming the cost *is not* returned in the event of death before 65 and (*c*) the cost of pension of £1 per annum from age 65 assuming the cost *is* returned at death before 65. In these schemes it is customary to make the employee's contribution returnable at death before 65, and if death takes place after 65 the contributions are returned less any instalments of pension already received. There is thus a guarantee that in no case will an employee fail to get back at least his own contributions. The figures in the table have been calculated on this basis.

Age next birthday.	Group Life. (a)	Cost of pension of £1 per annum from age 65. Male Lives. (b) Without return of contribution before 65.	(c) With return of contribution before 65.
25	£0 11 3	£1 6 4	£1 11 4
30	0 12 0	1 12 8	2 0 0
35	0 14 8	2 0 4	2 10 8
40	0 17 8	2 10 10	3 4 8
45	1 1 11	3 4 10	4 2 8
50	1 8 5	4 2 0	5 6 0
55	2 1 1	5 7 4	6 15 0

It will be seen from the tables that the cost of the £1 pension varies from two and a quarter to three and a half times the cost of the £100 insurance. If you had an even distribution of employees at every age from 20 to 65 the cost of the life assurance per member would be about £1 5s. and the pension £3 15s., making a total of £5 per head. This would be exceptionally heavy, as such a distribution of ages would not be met with in practice. There is with most groups of employees a larger number of employees at the younger ages than at the older.

THE BENEFITS.

The benefits under a simple scheme of Group Insurance and Pensions are :—

£100 at death.

£2 12s. 6d. per month for 40 months in the event of total and permanent disablement.

£1 per annum pension from age 65 for each completed year of service.

Under such a scheme the employees' contributions might be put at 1s. per week, to be deducted from his wages—the balance of the cost being met by the employer. It is customary to apply the employee's contribution towards the cost of pension and the employer's contribution first towards payment of the whole of the Group Life Cover and the balance to make up the cost of the pension. Now it will be seen from the table given above that 1s. per week, or £2 12s. per annum, is more than sufficient up to age 35 to purchase the £1 pension. For the sake of simplicity in the scheme it is not customary to reduce the contribution below 1s. per week, but to carry forward the excess pension purchased to make up the deficiency in later years (after 35) and thus postpone the time when otherwise the employer would be involved in contribution.

AN ACTUAL CASE.

Let us take an actual case of an employee entering service at the age of 20 who retires at 65 on a pension of £45 in respect of his 45 years' service, which is in addition to any he receives under the National Health or Old Age Pension Schemes, and assume that he dies at the age of 75, the position is :—

Pension received	£450
Life Assurance paid	100
	550
Contributions paid by him	117

In this example it is assumed that the life assurance cover will extend into retirement, but if the employer is not prepared to meet the cost of this it could be made to cease at 65, the pension age.

The cost per head to the employer must necessarily suffer some fluctuations from year to year, although

in normal circumstances much of the additional cost due to the increase in age of individual members is met by new entrants coming in at young ages. In various groups that I have examined the cost to the employer varies from 3d. to 7d. per week per employee for pension and the cost of the life cover, of which he bears the whole, amounts to about 4d. to 5d. per week—the employee's contribution being the constant one of 1s. per week.

At the inception of any scheme there are employees with many varying terms of past service, and if credit is not given for this the pension secured would be but small. It is customary, therefore, to provide for this past service as a separate item, the cost of which is borne by the employer. As it is not contributory, each year of past service may rank only for half pension rights, thus an employee who has served for 20 years would be entitled, therefore, to £10 pension. The cost of this past service is not necessarily liquidated by the employer in one lump sum; it may be funded over a period, say, from 10 to 20 years. Should the employer be unable to keep up the payments over this period the benefits after allowing for those already received by actual pensioners would be reduced to such as his payments had secured.

STAFFS WITH SEVERAL GRADES.

So far we have discussed only a simple scheme of Group Life and Pensions where the benefits are minimum ones applicable to wage-earning employees. For more highly-paid staffs, where graduated salary scales apply and there are officials with substantial remuneration, a graduation of benefits and contributions is necessary in order that pensions and insurance may be commensurate with salary paid. We will take one where six grades are isolated as shown in the following table :—

Salary Class.		Life Assurance while in that class.	Pension from 65 secured for each year's service in class.	Annual Contribution from employee while in class.
A	not exceeding £100	£100	£1 0 0	£2 12 0
B	„ 150	100 0 0	2 0 0	5 4 0
C	„ 250	200 0 0	4 0 0	10 8 0
D	„ 350	300 0 0	6 0 0	15 12 0
E	„ 450	400 0 0	8 0 0	20 16 0
F	over 450	500 0 0	10 0 0	26 0 0

If an employee enters the service of a firm at the age of 15 he would, under the above scheme, if he spent five years in each of the first two classes and ten years in each of the other four, and retired at 65 when his salary was, say, £550, receive a pension of £295 for his fifty years' service.

As another example, we may take an employee who becomes a member of the staff at the age of 30 at a salary of £260 and spends 10 years in each of classes D and E and 15 years in F, retiring at 65 after 30 years' service on a pension of £290. Life assurance may cease upon retirement, but in some cases it is an integral part of the scheme that it shall continue after retirement but the additional cost per member is considerable if there are many over 65. As a rule in this, as in the simpler scheme already referred to, an employee's contributions are paid by a deduction from his salary and are devoted wholly to securing as much of the pension for the current year of service as they will provide: the balance required to bring the amount of pension up to that provided for in the scheme is obtained from the employer's contribution. The whole of the cost of the Group Life cover also falls to the lot of the employer. By this method the employee's subscriptions are available as a refund either at his death or upon his leaving service, and at death after retiring on pension there is returned to his representatives any excess of his contributions over the pension he has received.

FLEXIBILITY OF SCHEME.

The scheme is perfectly flexible, since the pension scale and the employee's contributions may be adjusted to meet the needs of any staff. It has the merit of round and definite figures in the life assurance cover, the pension for each year's service and the contribution paid by the employee. Above all, it has the advantage of providing adequate pension for that portion of a valuable employee's service when his salary is at its highest figure in the last fifteen years or so of his service. Many pension schemes based upon a percentage of salary constant throughout service, from employer and employee, are in existence: their fault is that they cannot provide a pension which is adequate for a valuable and well-paid official. For a scheme to do this it must either base the pension on the final salary, or average salary over the last five years, or else, as in the scheme outlined above, allot a specific amount of pension for each year of service in a salary class. To my mind the latter is a better principle, since the cost of the pension is set aside strictly as the liability accrues and there can be no alarming discovery of a serious deficit at a quinquennial valuation, as is possible of a mutual fund of pensions based upon final salaries.

A complaint which has been made of Group Pension schemes on the basis described is that the cost is a fluctuating one for the employer. The scheme has been contrasted with one based upon contributions from employer and employed, each representing a percentage of current salary, but as I have already indicated, the latter, while it provides very good pensions for the rank and file whose salaries may never reach more than £350 or £400, provides wholly inadequate pensions for the more highly-paid officials. I will challenge anyone to produce a good pension scheme for a staff where some are receiving big salaries which does not give a fluctuating cost to the employer. The truth is that under any good scheme the employer must provide a contribution for older and more highly paid officials which is a higher ratio of their salaries than he need for the younger and smaller salaried officials. It follows that as the highly-paid officials are few, there is more fluctuation in their ages and aggregate salaries than there is among the junior men.

INCOME TAX.

Income tax in connection with pension schemes is an important point. From the employer's point of view there is little difference between contributing to a mutual superannuation fund and contributing to a group scheme guaranteed by an insurance company. In either case his contributions may rank as expenses in assessing his profits for income tax. Employee's contributions rank for relief of income tax in the same way as premiums under a life assurance policy.

ADVANTAGES OF A COMPREHENSIVE SCHEME.

I want to consider some of the advantages of a comprehensive scheme of Group Pension and Insurance. In the first place it has the estimable advantage of an insurance company's guarantee. For life assurance, the total disablement benefit, and pensions no mutual fund can provide the same security. The benefits of many mutual funds have been cut down in the past or the contributions increased because of insolvency, if one may apply that word to a mutual fund which from its nature can give no guarantee. Such mutual funds have a habit of following the vicissitudes of the business to which the

members are attached. Often some of the funds are invested therein; in any case a mutual fund never has that expert management in investment and administration which can be rendered by a large insurance company.

Another feature which is of some attraction to the employer should be mentioned. It will be found that at the early ages no contribution is required from the employer so that his assistance is available for procuring the pension benefits for those who have been on his staff for some years. This is by no means an undesirable feature, since there is more movement from one employer to another among the young, and an employer usually does not feel called upon to begin purchasing pension for an employee who may be leaving his service before many years are over.

Another attraction of the Group scheme is that at any time the employee knows exactly what pension he has earned. He is building up his retiring allowance by a definite amount with each completed year. The year's service automatically secures its pension, and no matter what the future holds in store the pension for past services is there. Jointly with his employer he is buying his pension as he goes along. The initial cost of the whole scheme is by no means so heavy as that which is required to produce pensions for the full term of service by level annual contributions, for under the latter system part of the pension to be earned by future service is paid for in the present. Under the Group system the reward of present service is alone provided.

Under all Group schemes there is reserved to the employer the right to modify or withdraw from future contributions, but this in no way affects the benefits secured by contributions up to the date of amendment. This condition is only natural, for days of adversity come at times to all industries, when commitments for salaries and expenses must inevitably be reduced. Some reduction at such a period is likely to take place in the contributions to the pension scheme in the same way as at times of particular prosperity the contributions by a firm may be increased and the scale of pension made more generous. Either increase of employer's contribution or decrease thereof may be carried out under the scheme with equal facility.

Fears are expressed sometimes that when a firm have, through some special circumstances, a knot of highly-paid officials of about the same age, say 45, they will not care to face the increasing cost of the pensions for this group as they travel on their way to 65; probably there are not others who for the time being follow them up in the salary list. Where such special conditions exist it is true that the charge to the employer is increasing till the group pass out at 65 and there is then a sudden relief; but I think that every employer will look at his salary and pension bill for the year as connected items, and he is likely to make his annual rise list such as he can comfortably carry in conjunction with his pension charges. While the cost of pensions may suddenly drop through members passing out at 65, there is no similar sudden increase in cost. The increase is gradual and is always subject to some control by the employer by his manipulation of salary increases.

THE FUTURE OF GROUP INSURANCE.

One word before closing as to the future of the Group business. I know it is early days to take up the role of a prophet, but one cannot overlook the growing organisation of economic society and the greater permanence of tenure of all salaried officials. With that security there is inevitably the need also for pensions at a definite retirement date and some protection in the event of death or disablement during the working years. The tendency is obviously to attach a pension and insurance scheme to the conditions of service. It is indeed as necessary for the employer as for the employee. The former needs some machinery for the removal of his old employees into a comfortable retirement so that he may always have on his staff the most efficient servants, alert to new ideas and with energy to carry them out. Sums paid for pension schemes are indeed allocations for depreciation of human machinery and the firm that makes no provision for this will certainly suffer in the long run. If insurance companies will meet their needs in this direction, undoubtedly a wide vista is opened up for life assurance.

Discussion.

The CHAIRMAN: I am sure we are all very much indebted to Mr. Raynes for his lecture. I imagine that in the early part of it he probably touched on a contentious point when he raised the question as to whether insurance should be designated a business or a profession. I imagine that they are no more philanthropists than anyone else, so that it is quite in order to call it a business. There are one or two points I am not quite clear about and perhaps the Lecturer will explain them. I do not quite follow what happens in the event of a business which has been established for many years suddenly falling on evil times and having to wind up. It seems to me that the Lecturer assumed that every business which is now successful will always be successful, and that the payments would continue until the employee attained the age of 65 or retired. The same point also arises in the event of an employee leaving that employment after ten or fifteen years. I am not quite clear what happens with regard to the payment of the contributions he has made.

Mr. H. A. MCLUCKIE (Insurance Institute of London): I should like to ask Mr. Raynes two questions. One is whether it is usual, or whether it is possible, for bonus profits to be applicable to Life policies under a group insurance scheme? and, secondly, am I correct in presuming that in the case of an Industry, or an industrial firm, the employers cannot contract out of the National Health scheme by virtue of their having set up schemes to cover their employees and to provide sickness and disablement benefits, &c., which are embodied in the group insurance scheme?

Mr. RAYNES: On the winding up of a business, the policy, if it is a group pension scheme, would be treated as a trust. It is not available for the liquidator of the firm or the company. There is a provision in the policy under which all the benefits that are secured in virtue of the past contributions are absolutely assured. Each contribution secures its specific benefit and requires no other contribution at a later date to be added to it. If it is a pension of £1 or £10 per annum for each year of service, that is already paid for, and should the firm go into liquidation and be unable to make any further contributions towards the pension fund, the pensions so far secured are held to the credit of the employees when they reach the age of 65. If a man has been in service for 30 years and during that time his own and his employers' contributions have earned a pension of £150 a year at the age of 65, that is absolutely secured to him and cannot be altered by the winding up of the company. As to a man leaving his employment, alternatives are offered to the employee. He may take his contributions as a cash payment, or he may be prepared to take a paid-up pension of so much as his own contributions have earned. In this connection I may say that one shilling per week if a member enters at the age of 20 will secure

him perhaps £15 instead of £10 by the time he is aged 30. The policy provides that if the contributions made by him are more than sufficient to pay £1 per annum in the scheme, then the surplus will be accumulated for his benefit and will be available in the event of his leaving. There is no reason why a group life policy should not have bonuses or be under a participating scheme; in fact many are, and the bonuses may be allotted as a reduction in the cost for succeeding years. As to contracting out, I am afraid I am not able to answer that question. Contracting out is very difficult indeed, and I should not imagine that a scheme of this description, even if it embodied temporary disablement insurance such as the National Health scheme offers, would enable an employer to contract out. But there I speak subject to correction, as I have not examined the point myself.

Mr. G. ROBY PRIDIE (Incorporated Accountant): I would like to ask how these group policies are issued. If a firm desires to cover, say, 100 hands, is it necessary for the firm to give an individual return of each of its employees? During any given year the members of a group may fluctuate a good deal. Are the policies issued personally to each employee, or is there one policy covering the whole group; in the event of any claim being made would it be the duty of the employer to certify to the Insurance office the facts with regard to that particular employee? In what form is the policy issued—in one document, or is each individual member of the group entitled to his own policy?

Mr. RAYNES: The method of carrying out the business is that of one policy for the employer. The machinery is this: the employer makes a definite offer to his employees in a written statement, signed and dated, offering the benefits of a scheme such as this—pension, life insurance and disablement. The employee then accepts it, if he will, and signs a form to the effect that he accepts it and authorises a deduction from his wages. The scheme as outlined in the statement made by the employer to the employee is the basis of the contract. Then the Insurance Company issues one comprehensive policy to the employer, and it also usually issues a certificate to the employees, bearing the name of the employer and, perhaps, also the name of the insurance company, showing the benefits. But that certificate is not a policy; it indicates membership of a scheme, and the contract may be treated as a triangular one. Under a group life policy, in the event of the death of an employee, payment is made by the insurance company to the next-of-kin. You have, therefore, the two documents issued by the insurance company—the policy and the certificate. You have also a document issued by the employer, representing an offer and stating the terms, and you have an acceptance by the employee, together with authority to deduct his contributions from his wages so as to keep outside the Truck Act. Attached to the policy is a list of all the employees at the date when the policy is effected. A card index is usually kept by the firm and perhaps a duplicate is kept by the insurance company, and any employee coming in or going out during the year is allowed for at a flat rate deduced from the age distribution at the beginning of the year. I think that briefly indicates the procedure.

Mr. C. WALTER (Insurance Institute of London): May I ask the Lecturer whether any limit is placed on the number in a group which is accepted? For example, do the offices limit the number to 15, say, as being the smallest number in a group which they would accept for such a scheme? And arising out of that is this other question: Supposing a small firm, an engineering or motor firm, employing from 10 to 20 men, desired to insure in such a scheme and were refused, and assuming that there were a number of such firms whose employees totalled, say, 200, would the insurance company consider a joint insurance if a number of firms combined together in that way? That rather leads to the possibility, I think, that if such a scheme were approved, we might get to the point when that kind of insurance would be done through the Trade Unions. I was wondering whether that had been considered. For example, Mr. Raynes said that the rates are according to the hazard and according to the trade. I take it that one class of rate would be assigned for engineers, another for textile workers, another for warehousemen of certain classes, &c., and one can conceive that if this group system of insurance develops, it might do so through the Trade Unions. Then another thing occurred to me. Mr. Raynes spoke about the accession of large numbers of employees at the same age. How do they deal with the matter in such cases? For instance, a comparatively new firm may start with 15 employees and in the course of a few years it may be employing 200. In many cases, as we know, after ten or twenty years such firms may be employing 3,000 or 4,000. There will probably be a large accession of employees of the same age at a certain time; how would group insurance deal with that problem?

Mr. RAYNES: With regard to the limitation of groups, the usual basis of acceptance in group life insurance is that there shall be a minimum coming in of 75 per cent. of those eligible; that is to say, if you have 100 employees and 75 per cent. of them are prepared to come in, that constitutes a group and no individual evidence of health would be required. But there must be a minimum number of 50. Those rules are not perhaps adhered to strictly by all offices. Different offices have varying rules as to what constitutes an eligible group for life insurance, but that gives an indication of what is generally done. Now, when you get a group of 10 to 20, life insurance could certainly be granted on the group principle, but in that case you would want evidence of health. If you have one candidate who is possibly tuberculous, a firm or company knowing that, and having only ten employees, might be prepared to face the cost of insuring all the ten in order to get this one in, but that is not likely to be the case where you have 50 employees. The selection does not operate very much in the matter of group pensions, because bad health works against the individual and in favour of the insurance company. So health is not so important in that case, but in the matter of life insurance it is important. As to the question of the federation of firms, you come upon very difficult ground, because such federations are often very loosely held together; they do not constitute as a rule a very definite group, and the Council of a Federation could not probably bind all the firms within the Federation to come into a scheme of group insurance. So you come back upon that self-selecting element which is anathema to a life insurance company. If firms could come in or not as they like, you would get small firms of 7 to 10 coming in probably in order to cover life insurance at normal rates for some particularly unhealthy employee. I do not think that Trade Unions make a good group at all. I think the best groups from the point of view of life insurance are those which are definitely selected on account of their employment by an employer—an individual employer or a firm. They have not been selected on account of their health at all. If anything, they are perhaps more than normally healthy, because they are in employment, and the community as a whole includes a large number who are unemployable because of bad health.

Employment is partly an indication of health and therefore employment is a selection, if anything, in favour of the insurance company. But membership of any society such as a Trade Union, where the provision of life insurance would be an inducement to become a member, is not an encouraging feature from the point of view of insurance. The self-selecting element is too strong. With regard to the question as to a large accession of employees about one age and at one time, there is no difficulty about that. The large accession of employees is due to the fact that the business justifies it, and they are not selected from the point of view of being unhealthy lives or not suitable for life insurance; they are selected for something else. An insurance company is always prepared to cover every man walking across London Bridge between 11 and 12 on a certain day providing that notice has not been given beforehand that it is going to cover them. Insurance can be granted to a sample of the population, but cannot be granted to selected portions of the population where the selection is made by the members to be covered.

Mr. SPENCER (Insurance Institute of London): I should like to know whether the insured person's representatives would receive the benefit of the amount insured on death, or would the insured person just get the pension when he reached the age specified?

Mr. RAYNES: Of course the schemes vary, but usually the contribution of the employee is returned at death as well as the life insurance. If he has entered on a pension, then there is returned only the balance of his contributions after deducting the sums he has already received as pension. The life insurance can continue after the age of 65; but that is a separate item.

Mr. S. E. STRAKER: I should like to say how much I have enjoyed Mr. Raynes' lecture this evening. Some time ago, when the Government brought out a scheme for allowing deduction of tax in pension schemes, what people came up against was the question of employees leaving. One man did not see why he should contribute to a pension for another man who afterwards might prove untrustworthy and be discharged. Mr. Raynes said the cost of pensions was roughly three times as much as that of life insurance, and that the contribution of the employee would be on the same basis as the ordinary life contribution. Does that mean that only one quarter of the contribution would be allowed for tax rebate?

Mr. RAYNES: The whole contribution by the employee ranks for rebate of tax at the appropriate rate as under an ordinary life insurance policy. His contributions both for pension and for Life insurance rank in that way and he gets rebate of tax on it. As to the employer's contribution, in the event of the employee leaving, it is almost invariably the case in such schemes that the employer's contribution is returned to the employer and not to the employee. The employee goes out with his own contributions in cash, or with such sum as his own contributions will secure. That is one of the special points.

Mr. T. ROGERS: When I took my final examination I found the subject of statistics particularly troublesome, and I should like to be assured that insurance students should have the subject of statistics in their examination syllabus.

Mr. RAYNES: The statistics we have are statistics of mortality generally. The insurance companies have available only such statistics as the general public have—the English Life Table No. 9 which is based on the population at the 1921 census, and the deaths for the adjoining three years, and they have an Annuitant Table of Mortality. With these two instruments that is probably all they require in the way of statistics. They couple those with questions of interest and the expenses of running the scheme, and the actuaries are able to produce the appropriate rates for pensions and death benefits.

Mr. D. E. GIBBS: Where you have a firm with several distinct sections in it, and possibly one section of the employees is engaged on dangerous work and other sections are not, if they were taken as one group the danger of the one section would make it rather unfair on the others with regard to their contribution. Then as regards disablement insurance, would the insurance company place any limit on what they would get? Under the Workmen's Compensation Act there is a limit to what a person can get if disabled.

Mr. RAYNES: So far as limit is concerned, an office would only grant a scheme where a limit *is* set. It certainly would not have a scheme that would encourage claims for disablement. The amount would probably be equal to the pension secured by a member's past contributions; that is to say, the paid up pension, instead of commencing at age 65, would commence at once. In many cases border-line points arise, and I think it is better to pay the benefit by means of monthly instalments, because these "permanently disabled" men may get better. When it is paid in a lump sum the money quickly disappears before the patient recovers.

Mr. G. L. J. GAMBLES: Do I understand that in the case of a liquidation the employer's contribution is claimed by the liquidator, and the employees' contribution is returnable to the employees?

Mr. RAYNES: No, that is not so. In the case of a liquidation the whole scheme becomes paid up. One of the clauses embodied in the policy is that the whole scheme becomes paid up, and the pensions so far paid for are secured to the employees. The liquidator cannot claim any part of the surrender value of the policy.

Mr. STRAKER: Has the employee a direct claim against the company?

Mr. RAYNES: I should say so. It depends much on the way the contract is actually carried out, but I should say yes.

On the motion of Mr. Wakeling, seconded by Mr. McLuckie, Mr. Raynes was warmly thanked for his lecture, and a vote of thanks was also accorded to the Chairman for presiding.

District Societies of Incorporated Accountants.

BELFAST.

ANNUAL MEETING.

The annual general meeting of the Belfast and District Society of Incorporated Accountants and Auditors was held at Belfast on April 29th.

In presenting the Report for the year ended March 31st, 1929, the Chairman, Mr. Fred. Allen, F.S.A.A., stated that the membership of the District Society was now 152, made up of 16 Fellows, 56 Associates, and 80 Student members.

67 candidates entered for the Society's examinations held in Belfast, and 37 of these succeeded in passing the examinations.

The Chairman referred in detail to the many activities of the Society during the year, and particularly to the

number of very successful lectures organised by the Students' Society.

The following office bearers were elected for the ensuing year :—President, Mr. Fred. Allen ; Vice-President, Mr. James Baird ; Hon. Secretary and Treasurer, Mr. Herbert McMillan ; Hon. Auditor, Mr. Charles Magee. Committee : Mr. J. H. Allen, Mr. E. A. Anderson, Mr. James Baird, Mr. Robert Bell, Mr. Norman Booth, Mr. James Boyd, Mr. D. T. Boyd, Mr. Samuel Boyle, Mr. A. S. Courtney, Mr. J. S. Lewis, Mr. A. H. Oughton, Mr. J. D. Thompson, and Mr. J. S. White.

The meeting terminated with a vote of thanks to the Chairman.

Report.

In presenting the Report on the work of the Society for the year ended March 31st, 1929, your Committee wish to place on record their appreciation of the services rendered to the Society by the late Mr. George H. McCullough, and of the loss that the Society has sustained through his death.

GOLF COMPETITIONS.

The annual golf competition for the "Booth" Cup was held at Bangor on May 21st, 1928. The winner of the cup, presented by Mr. Norman Booth, and prize presented by Mr. Fred. Allen (President), was Mr. L. W. Reid, the runner-up being Mr. James H. Allen, who received a prize presented by Mr. Robert Bell. In the afternoon a consolation stroke was held, Mr. H. Andison winning the prize, presented by Mr. James Baird (Vice-President).

An autumnal golf competition was held at Fortwilliam Golf Club, Belfast, on October 13th, 1928. The bogey competition for a cup presented by Mr. Fred. Allen (President), was won by Mr. H. Andison, the runner-up being Mr. Herbert McMillan. The members were subsequently entertained to lunch by Mr. Norman Booth.

ANNUAL DINNER.

The annual dinner was held in Thompson's Restaurant, Donegall Place, Belfast, on December 7th, 1928. A large number of members and guests were present. The guests included the Right Hon. J. M. Andrews, D.L., M.P. (Minister of Labour, Northern Ireland), Mr. E. Cassleton Elliott, F.S.A.A. (Member of Council of the Parent Society), Mr. J. H. Robb, K.C., M.P. (Parliamentary Secretary to the Ministry of Education), Mr. John F. Gordon, M.P. (Parliamentary Secretary to the Ministry of Labour), Mr. Frank Anderson (President of the Belfast Chamber of Commerce).

STUDENTS' SOCIETY.

The Students' Society has had a most successful year's working. The President (Mr. Robert Bell), Vice-President (Mr. D. T. Boyd), and the Hon. Secretary (Mr. H. W. Garland), assisted by a committee of student members, organised a successful series of lectures, which in the majority of cases were well attended by student members. Mr. James Baird kindly presented two prizes for the best essay on the subject of "The Conduct of an Audit." The prize for the Final Students was taken by Mr. Sydney Murphy, and the Intermediate Students' Prize was won by Mr. T. C. Rocke. On March 26th, 1929, a dinner was held in the Carlton, Donegall Place, Belfast, under the auspices of this section, which proved a most enjoyable function. Representatives of the Incorporated Law Society of Northern Ireland and of the Chartered Accountants' Students' Society were present. The Committee trust that all the student members will continue to take an interest in the work of the Society and the attendance at next season's lectures will be well maintained. Arrangements have been made with the Principal of the Municipal College of Technology, Belfast, and special classes for accountancy students are now in operation covering the syllabus of the Society's examinations.

During the year the following lectures were given :—

1928.

S April 12th. "Municipal Accounting," by Mr. Arthur Collins, F.S.A.A.

S Oct. 19th. "Accountancy Problems," by Mr. Robert Bell, F.S.A.A., and Mr. Herbert McMillan, A.S.A.A.

S Nov. 30th. "Audit of Public Companies' Accounts," by Mr. D. T. Boyd, B. (Com.) Sc., A.S.A.A.

1929.

S Jan. 4th. "Companies Act (1928)," by Mr. H. F. Bell, A.S.A.A.

S Jan. 29th. Mock Meeting of Creditors.

S Feb. 18th. Debate : Mr. H. W. Garland, A.S.A.A., and Mr. W. H. Palmer.

Mar. 1st. "Accountants and Insurance," by Mr. R. A. Arnold.

S Mar. 15th. Reading of Prize Essays. Subject : "Conduct of an Audit."

Mar. 22nd. "Recent Changes in the Currency Systems of the British Isles," by Professor F. T. Lloyd-Dodd, M.A., D.Sc.

Lectures marked "S" were held under the auspices of the Students' Society.

COMMITTEE.

Ten committee meetings were held during the year.

SOUTH WALES AND MONMOUTHSHIRE.

CARDIFF AND DISTRICT STUDENTS' SECTION.

The annual general meeting was held on May 9th, when the chair was occupied by Mr. W. I. Rodda, A.S.A.A. The report of the Hon. Secretary, which had been circulated prior to the meeting, referred to the fact that the session 1928-29 had been a most successful one in regard both to attendance and general standard of lectures at meetings, and to the prize essay scheme. The following were awarded the prizes :—

(*a*) *For the best Papers.*—Mr. L. J. Muller and Mr. E. V. C. Nichols.

(*b*) *For the best Contribution to the Discussions.*—Mr. R. R. Davies.

The Officers and Committee for the Session 1929-30 were elected.

INCOME TAX ON RESEARCH AND WELFARE EXPENDITURE.

This memorandum, which includes Co-partnership Schemes, Pension and Provident Funds, was prepared by the Board of Inland Revenue with the object of indicating generally the class of expenditure which, in their opinion, might properly be allowed as a deduction under the provisions of Income Tax law in computing business profits for purposes of Income Tax. The memorandum was prepared for the information of the Committee of Industry and Trade of the Association of British Chambers of Commerce.

1. The assessment of Income Tax on business concerns is not in the hands of the Board of Inland Revenue, but in those of

(*a*) The various bodies of local Commissioners of Income Tax, and

(*b*) The Special Commissioners of Income Tax,

and a decision given, in the case of any taxpayer, by the appropriate body of Commissioners on the question whether a particular item of expenditure should be allowed as a deduction, is final and subject only to an appeal to the Courts on a point of law.

2. As regards the provisions of Income Tax law respecting the treatment of expenses such as those to which this memorandum relates, reference may be made to the two main general conditions governing this question, viz :

(*a*) That no deduction shall be allowed in respect of expenses which are not wholly and exclusively laid out for the purposes of the business, and

(*b*) That no deduction shall be allowed in respect of expenditure of a capital nature.

There are also special statutory provisions relating to Superannuation Funds, to which provisions further reference is made in a later paragraph of this memorandum.

EXPENDITURE ON RESEARCH.

3. As regards expenditure on research, the Board of Inland Revenue do not object to a deduction being allowed subject to the conditions set out in the preceding paragraph. In order to qualify for allowance, the expenditure should, in their opinion, bear a sufficiently definite relation to the earning power of the business. No definite formula can be devised, but in general the Board consider it sufficient if the research work is directly connected with the subject matter of the trader's business and is calculated to achieve results affecting his profits in the reasonably near future. By reference to the test set out in paragraph 2 (*b*), capital expenditure—*e.g.*, the initial cost of a laboratory—must be excluded from allowance.

4. If a trader, instead of employing research workers himself, contributes to an association engaged in research, his expenditure can be allowed subject to corresponding conditions. Thus, allowance would be due in respect of annual contributions to Research Associations established under the ægis of the Department of Scientific and Industrial Research. These bodies are intended to be associations of traders for the main purpose of carrying out their research work on a co-operative basis.

5. Contributions to research departments of Universities are often expended on scientific research of a more general character and the results, while of wide benefit, may not be of particular relevance to the trading prospects of the contributor. Each case of the kind must be considered on its merits, in order to determine how close or remote is the connection between the research work and the trader's business.

CO-PARTNERSHIP SCHEMES.

6. The diversity in character of the various profit-sharing or co-partnership schemes that have come to the notice of the Board of Inland Revenue makes it difficult to formulate a general definition of the treatment of such schemes for Income Tax purposes.

Broadly, and subject to the proviso that the treatment of each case is governed by its own particular facts, the Income Tax position may be described as follows :—

(i) The bonus or share of profits which the employer has undertaken to distribute to the employees is treated as additional wages or remuneration and is allowed as an expense in computing the employer's profits for purposes of Income Tax assessment ;

(ii) The individual employees are chargeable to Income Tax in respect of the bonus or share of profits as additional wages or remuneration.

7. Where the co-partnership scheme, in the case of concerns carried on by companies, takes the form wholly or partly of shareholdings by or on behalf of the employees, the employing company can, under the appropriate provision of the law, pass on the burden of the Income Tax applicable to the dividends on the shares by deduction of the tax from the dividends. As, however, the employees would in the majority of cases be entitled to claim repayment from the Revenue of part or the whole of the tax deducted by the company from the dividends, the Board are prepared to enter into an arrangement, subject to conditions, under which the company does not deduct tax, but is given relief from tax in its assessment corresponding to the tax which it might have deducted ; the individual employees where liable are then assessed directly in respect of the dividends. Such arrangement is operative in a number of cases. (Whether the dividends are to be treated as earned or unearned income of the employee depends on the facts of each case.)

CONTRIBUTIONS TO SUPERANNUATION AND OTHER FUNDS.

8. Funds for the benefit of the employees of a business or their dependants may, in the main, be classified under the following heads :—

(i) *Superannuation Funds*—
which provide annuities to employees on retirement at a specified age or on becoming incapacitated at an earlier age ;

(ii) *Provident and Thrift Funds*—
which accumulate the contributions of the employer and employees, with interest, and disburse the accumulated sums on retirement or death of the employees ;

(iii) *Widows and Orphans Funds*—
which provide for immediate dependants of employees in the business ;

(iv) *Superannuation of Pension Schemes*—
where premiums are paid under insurance policies or annuity contracts for the benefit of employees on retirement or for provision for their dependants ;

(v) *Certain other funds* to which contributions are made by employers, *e.g.*, funds to provide—
(*a*) Sickness benefits to employees ;
(*b*) Grants to employees or their immediate dependants under quasi-charitable conditions.

9. *Superannuation Funds.*—Special statutory provisions relating to these funds are laid down by sect. 32 of the Finance Act, 1921, extracts from which are given below. Under that section an allowance falls to be made in respect of contributions by an employer (or an employee) to a fund which satisfies the conditions set out in the section and has been approved by the Board of Inland Revenue. The section further provides for the exemption from tax of the investment income of an approved fund.

EXTRACTS FROM SECT. 32, FINANCE ACT, 1921.

(1) Subject to the provisions of this section and to any regulations made thereunder, exemption from income tax shall be allowed in respect of income derived from investments or deposits of a superannuation fund, and, subject as aforesaid, any sum paid by an employer or employed person by way of contribution towards a superannuation fund shall, in computing profits or gains for the purpose of an assessment to income tax under Case I or Case II of Schedule D, or under Schedule E, be allowed to be deducted as an expense incurred in the year in which the sum is paid :

Provided that—

(*a*) No allowance shall be made under the foregoing provision in respect of any contribution by an employed person which is not an ordinary annual contribution, and, where a contribution by an employer is not an ordinary annual contribution, it shall, for the purpose of the foregoing provision, be treated as the Commissioners may direct, either as an expense incurred in the year in which the sum is paid or as an expense to be spread over such period of years as the Commissioners think proper ; and

(*b*) No allowance shall be made under this section in respect of any payments in respect of which relief can be given under sect. 32 of the Income Tax Act, 1918.

* * * *

(3) For the purposes of this section, the expression "superannuation fund" means, unless the context other-

wise requires, a fund which is approved for those purposes by the Commissioners, and, subject as hereinafter provided, the Commissioners shall not approve any fund unless it is shown to their satisfaction that—

(*a*) The fund is a fund *bona fide* established under irrevocable trusts in connection with some trade or undertaking carried on in the United Kingdom by a person residing therein ;

(*b*) The fund has for its sole purpose the provision of annuities for persons employed in the trade or undertaking either on retirement at a specified age or on becoming incapacitated at some earlier age ;

(*c*) The employer in the trade or undertaking is a contributor to the fund ;

(*d*) The fund is recognised by the employer and employed persons in the trade or undertaking ;

Provided that the Commissioners may, if they think fit, and subject to such conditions, if any, as they think proper to attach to the approval, approve a fund, or any part of a fund, as a superannuation fund for the purposes of this section—

(i) Notwithstanding that the rules of the fund provide for the return in certain contingencies of contributions paid to the fund ; or

(ii) If the main purpose of the fund is the provision of such annuities as aforesaid, notwithstanding that such provision is not its sole purpose ; or

(iii) Notwithstanding that the trade or undertaking in connection with which the fund is established is carried on only partly in the United Kingdom and by a person not residing therein.

10. *Provident Funds and Widows and Orphans Funds.*—The Board of Inland Revenue do not normally object to a deduction being allowed to an employer in respect of his ordinary annual contributions to such funds, whether they are annual contributions of a specified amount or are calculated on a definite basis by reference to the number of the members of a fund or the amount of their earnings or contributions.

11. *Superannuation or Pension Schemes.*—The Board would agree that the employer's regular payments of or towards the annual premiums should normally be allowed as deductions, provided—

(*a*) That the payments are made under a *bona fide* scheme for the benefit of a substantial body of his employees ;

(*b*) That where, as is usual, the employees have only a contingent right to benefits dependent upon completion of a specified period of service or attainment of a specified age, an undertaking is given by the employer to treat any sums which come back to him from forfeited surrender values, &c., as business receipts for Income Tax purposes.

12. *Other Funds for the benefit of Employees.*—Each case has to be considered on its merits, but in many cases an allowance falls to be made in respect of an employer's regular annual contributions.

PROVISION OF MEANS OF RECREATION AND OTHER AMENITIES FOR EMPLOYEES.

13. Expenditure under this head falls to be regarded mainly by reference to the two conditions set out in paragraph 2 above. In general, the Board are prepared to agree that a deduction should be allowed in respect of sums expended by an employer on such objects as

(*a*) The maintenance of recreation grounds, canteens, ambulance rooms, rest rooms, lavatories, &c. ;

(*b*) The provision of overalls, caps, &c. ;

(*c*) Salaries of welfare supervisors ;

(*d*) Contributions to recreation schemes approved by the Juvenile Organisations Committee of the Board of Education in so far as they fall within the general principles set out above ;

(*e*) Fees paid in respect of the attendance of young employees at technical and educational classes.

But no allowance could be made in respect of capital expenditure, such as the cost of purchase of a recreation ground or the expense of erecting or improving premises.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

May Examinations.

At the examinations held last month at the Glasgow centre, the Scottish Secretary was assisted by Mr. W. Hill Jack (who attended each day), Mr. William Houston, Mr. J. C. McMurray, and Mr. J. Hawthorne Paterson.

Scottish Savings Certificates.

Savings Certificates are still popular in Scotland. At the usual monthly meeting of the Scottish Committee, held in Edinburgh last month, the Secretary reported that since the previous meeting 14 new savings associations had been formed, of which eight were in schools and six in places of employment. For the four weeks ended May 4th no fewer than 392,865 savings certificates, representing a cash value of £314,282 8s., were issued in Scotland. Under the scheme by which local authorities may borrow from the Public Works Loan Board up to 50 per cent. of the value of savings certificates sold in their area during the preceding year for public works, it was reported that the following loans had been granted: Glasgow, £450,000, housing; Jedburgh, £2,145, bridges.

A Sheriff and Amateur Auditors.

An official of a factory and workers' trades union in the East of Scotland was charged at Dundee last month with embezzling close on £1,000 belonging to the Union. Accused pleaded guilty, and on his behalf an agent urged that the Union had practically no check on his intromissions with its funds. The only audit was by two working-men members of the Union, with no knowledge whatever of business or of book-keeping. So incompetent were they for this particular job that, although accused's accounts showed a balance of hundreds of pounds of cash in hand, neither of the auditors thought of asking him to produce the cash. The Sheriff said that in previous cases of this kind he had found that the sort of audit referred to had been nothing short of a complete farce. He had had occasion to speak about it pretty strongly and to advise societies to have a proper audit by professional men. Since one of these cases, information had been given to him that his advice had been accepted in the spirit in which it was tendered, and that some of them had departed from the previous practice and elected a professional auditor. In the present case there was a system of audit by persons not capable of doing it, and apparently there was no proper audit at all. It was hardly too strong a thing to say that one scarcely sympathised with the society that they adopted that foolish practice and lost money by their penny wise pound foolish policy of trying to save a little fee by not employing a professional auditor. He could not, however, accept the plea that because of that laxity accused was justified in taking advantage of it.

*** *Legal Notes are held over on account of pressure on space.*